FERTILIZER—FARM MACHINERY—PESTICIDES

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE AND FORESTRY

UNITED STATES SENATE

EIGHTY-SECOND CONGRESS

FIRST SESSION

ON

SUPPLY AND DEMAND FOR FERTILIZER, FARM MACHINERY, AND PESTICIDES

SEPTEMBER 20, 21, 24, 25, 26, 27, AND 28, 1951

Printed for the use of the Committee on Agriculture and Forestry

LAW LIBRARY
UNIV. OF MICH.
NOV 14 1951

UNITED STATES
GOVERNMENT PRINTING OFFICE
90402 WASHINGTON : 1951

COMMITTEE ON AGRICULTURE AND FORESTRY

ALLEN J. ELLENDER, Louisiana, *Chairman*

CLYDE R. HOEY, North Carolina	GEORGE D. AIKEN, Vermont
OLIN D. JOHNSTON, South Carolina	MILTON R. YOUNG, North Dakota
SPESSARD L. HOLLAND, Florida	EDWARD J. THYE, Minnesota
CLINTON P. ANDERSON, New Mexico	JAMES P. KEM, Missouri
JAMES O. EASTLAND, Mississippi	BOURKE B. HICKENLOOPER, Iowa
HUBERT H. HUMPHREY, Minnesota	KARL E. MUNDT, South Dakota

C. M. MOUSER, *Chief Clerk*

CONTENTS

Statement of— Page

Alexander, Hon. Archibald S., Under Secretary of the Army 348
Allstetter, W. R., Deputy Director, Office of Materials and Facilities, Production and Marketing Administration, United States Department of Agriculture 140, 354
Anderson, Earl D., secretary, National Sprayer and Duster Association, Chicago, Ill 370
Anshen, M. L., Assistant Deputy Administrator, Defense Production Administration 95, 280
Blaeuer, S. D., Chief, Industrial Leasing Management Branch, Real Estate, Corps of Engineers, Department of the Army 142
Boyle, H. L., vice president, Deere & Co., Moline, Ill 215
Brannan, Hon. Charles F., Secretary of Agriculture 6
Butler, Wendell E., president, Allied Farm Equipment Manufacturers Association, Waterloo, Iowa 196
Calvin, Frank N., feed, seed, fertilizer, and agricultural chemical department, Farmers Union Central Exchange, St. Paul, Minn 90
Davis, Brig. Gen. Merle H., Office of Chief of Ordnance, Ammunition Branch, Department of the Army 348
Fanflik, E. J., Chief, Management and Disposal Division, Real Estate, Corps of Engineers, Department of the Army 142
Fleischmann, Manly, Administrator, Defense Production Administration 280, 317
Gadberry, W. M., sales manager, Columbian Steel Tank Co., Kansas City, Mo 271
Garst, Jonathan, special assistant to the Secretary, United States Department of Agriculture 6
Geissler, G. F., Administrator, Production and Marketing Administration, United States Department of Agriculture 153
Girton, Paul, president, Girton Manufacturing Co., Millville, Pa 255
Hitchner, Lea S., executive secretary, National Agricultural Chemicals Association, Washington, D. C 364
James, Delos L., director, agriculture-industry relations, National Grange, Washington, D. C 86
Keepers, W. Floyd, executive secretary, Barn Equipment Association and the National Barnyard Equipment Council, Chicago, Ill 264
Klipstein, Kenneth H., Director, Chemical Division, National Production Authority 124, 134, 367
Lee, Mercer, vice president, International Harvester Co., Chicago, Ill 249
Margeson, J. P., Jr., executive vice president, International Minerals and Chemical Corp., Chicago, Ill 52
Noble, William R., National Retail Farm Equipment Association, Washington, D. C 258
Peer, George, director, farm supply services, National Council of Farmer Cooperatives, Washington, D. C 82
Reynolds, H. D., Ammunition Branch, Ordnance Corps, Department of the Army 142
Ritchie, L. T., vice president, Merchandising Services, Massey-Harris Co., Racine, Wis 238
Roberts, W. H., Jr., vice president, S. L. Allen & Co., Philadelphia, Pa 273
Scarseth, Dr. George, director of research, American Farm Research Association, Chicago, Ill 78
Schmidt, Marvin M., vice president, Deere Manufacturing Co., Des Moines, Iowa 215
Spencer, Kenneth A., president, Spencer Chemical Co., Kansas City, Mo 67

Statement of—Continued Page
Stambaugh, John H., special assistant to the Secretary on Defense Activities, United States Department of Agriculture 6, 153
Stone, Franz, Assistant Administrator, Industrial and Agricultural Equipment Bureau, National Production Authority 306
Tawney, James A., legal counsel, Grain and Feed Dealers National Association, Washington, D. C 268
Trigg, Ralph S., Deputy Administrator for Program and Requirements, Defense Production Administration 95, 292
Triggs, Matt, assistant director, Washington office, American Farm Bureau Federation, Washington, D. C 212
Wiman, C. D., president, Deere & Co., Moline, Ill 215, 342
Miscellaneous documents:
Letter from Senator Ellender to Charles E. Wilson, Director of Office of Defense Mobilization, dated March 5, 1951, relative to fertilizer production, and enclosing a copy of conclusions and recommendations of the House Agriculture Subcommittee on Fertilizer and Farm Machinery 1
Letter from Charles E. Wilson, Director of Office of Defense Mobilization, to Senator Ellender, dated March 12, 1951, relative to fertilizer production 4
Table showing sources of supply of nitrogen for fertilizer purposes for the year 1950–51 28
Table showing sources of supply of phosphate for fertilizer purposes for the year 1950–51 29
Table showing sources of supply of potash for fertilizer purposes for the year 1950–51 29
Table showing fertilizer consumption in the United States, 1900 to date 30
Chart showing 1951 goal for agriculture 32
Chart showing reasons for "all-out production" 33
Chart showing increased food and fiber needs for the military 33
Chart showing civilian food demand 35
Chart showing production needed for agricultural exports to friendly nations 36
Chart showing absence of food surpluses 37
Chart showing reduction in cotton carry-over 38
Chart showing reduction in corn carry-over 39
Chart showing reduction in wheat carry-over 41
Chart showing demand increasing more than supply 41
Chart showing how all-out production will help fight inflation 42
Chart showing how high production benefits consumers 42
Table showing quantities of foods 1 hour of factory labor will buy for the years 1929 and 1951 43
Chart showing farm output, cropland acreage, number of horses and mules, and farm employment in the years 1940 and 1950 as compared to the period 1935–39 44
Memorandum on farm population 45
Table showing farm population, number of tractors, and number of horses and mules 45
Chart showing farm output produced by use of farm machinery, fertilizer, pesticides, and electric power for the years 1940 and 1950 as compared to the period 1935–39 46
Chart showing all-out production depends on adequate materials and facilities 47
Chart showing need for all-out production 48
Chart showing the fertilizer story 48
Chart showing importance of agriculture to defense mobilization and American economy 49
Chart showing that American agriculture depends on American industry 49
Letter from the Mississippi Valley Superphosphate Co., dated September 17, 1951, relative to the supply of sulfuric acid 51
Statement filed by John C. Lynn, associate director, Washington office, American Farm Bureau Federation, relative to the fertilizer situation 77
Table showing fertilizer consumption in Wisconsin, Minnesota, North Dakota, South Dakota, and Montana 94

Miscellaneous documents—Continued Page

Table showing estimated supplies and requirements for the fourth quarter, 1951, for steel, copper and copper-base alloys, and aluminum 98

Letter from the Tomson Machinery Co., Inc., to Senator Ellender, dated September 17, 1951, relative to farm machinery and steel allocations 103

Letter from the American Plant Food Council, Inc., to Senator Ellender, dated September 21, 1951, relative to certificates of necessity granted on anhydrous ammonia 110

Letter from the National Production Authority to Senator Ellender, dated October 3, 1951, relative to allocations of steel to chemical plants 123

Table showing estimated production, consumption, and exports of sulfur for the fourth quarter of 1951 126

Letter from the Defense Production Administration to Senator Ellender, dated September 24, 1951, relative to sulfur exports financed by the Economic Cooperation Administration in the first three quarters of 1951 128

Letter from the Knoxville Fertilizer Co., dated September 17, 1951, relative to shortage of sulfuric acid and superphosphate 130

Letter from the Honorable Robert B. Chiperfield, a United States Representative from the State of Illinois, to Senator Ellender, dated September 20, 1951, relative to farm machinery 131

Letter from the Spencer Chemical Co. to Senator Ellender, dated September 21, 1951, relative to ordnance facilities having nitric acid units 132

Memorandum submitted by Senator Holland on uses and demand for urea 140

Memorandum on procedures followed in study of operating costs, profits, and price trends in the farm machinery industry, 1946–50 149

Report by committee staff on operating costs, profits, and price trends in the farm machinery industry, 1946–50 150

Memorandum on farm employment 155

Telegram filed by Senator Young from C. R. Carlson, Jr., Minneapolis, Minn., relative to farm equipment inventories 157

Telegrams filed by Senator Young relative to need for adequate farm machinery 158

Telegrams filed by Senator Mundt relative to need for adequate farm machinery 161

Table showing domestic requirements for farm equipment for 1952 as compared to 1949, as estimated by United States Department of Agriculture 165

Telegrams filed by Senator Hickenlooper relative to need for adequate farm machinery 172

Instructions to State PMA committees for conducting survey on farm machinery and equipment requirements for 1951 182

Telegrams filed by Wendell E. Butler, vice president of the Galloway Co., relative to supply of steel for manufacturing of farm machinery 211

Telegrams filed by Senator Thye relative to need for adequate farm machinery 213

Press release No. 80, Defense Production Administration, giving third quarter program levels for use of copper, steel, and aluminum 226

Press release No. 94, Defense Production Administration, giving fourth quarter allotments for steel, copper, and aluminum 228

Excerpt from the Cargill market letter, dated September 19, 1951, on sales of low-grade durum wheat sold on the Minneapolis Grain Exchange 258

Excerpt from the Iowa Farm Register, dated September 19, 1951, on farm equipment shortage 262

Excerpt from official National Production Authority interpretation of what constitutes "industrial plants, factories, or facilities" 269

List showing allotment numbers and symbols and DO symbols used by the Defense Production Administration and the National Production Authority 274

Statement filed by Vernon E. Moore of the Sam Mulkey Co., relative to allotments of steel to the farm machinery industry 277

Miscellaneous documents—Continued Page
Table showing estimated carbon steel consumption in the motor vehicle industry 288
Memorandum on carbon steel consumed in manufacturing of consumer durable goods 289
Letter from the National Production Authority to Senator Aiken, dated September 28, 1951, relative to the level of freight car production 310
Table showing case action analysis for fourth quarter, 1951, of requirements of companies producing nitrogen 320
Letter from the Grain and Feed Dealers National Association to Senator Ellender, dated September 27, 1951, relative to types of buildings classified as "commercial" and "industrial" 326
Excerpt from hearings, March 20 and 21, 1951, by the Subcommittee on Fertilizer and Farm Machinery of the House Agriculture Committee 327
Telegram from National Barnyard Equipment Council to Mr. Manly Fleischmann, Administrator, National Production Authority, dated June 26, 1951, relative to Mr. Fleischmann's appointment 333
Letter from the Nadler Foundry & Machine Co., Inc., to the Senate Small Business Investigating Committee, dated September 21, 1951, relative to steel allocations 335
Letter from the Summers Fertilizer Co. to the National Fertilizer Association, dated September 21, 1951, relative to advertising of foreign-made fertilizer 339
Letter from the Summers Fertilizer Co. to the National Fertilizer Association, dated September 26, 1951, relative to sulfur exports to Canada 340
Statement of the Farm Equipment Institute, dated January 1951, on the farm machinery and equipment necessary for the Nation's agricultural program 342
Letters from Hon. Archibald S. Alexander, Under Secretary of the Army, dated October 11 and 19, 1951, relative to operation of the Indiana Arsenal at Charlestown, Ind 353
Table showing estimated 1951–52 requirements for chlorinated insecticides and raw materials 369
Table showing historical production of chlorinated insecticides 369
Composite report of estimated production for 1952 for the sprayer and duster industry 371
Letter from the National Sprayer and Duster Association to the Production and Marketing Administration, dated August 8, 1951, relative to needs for spraying and dusting equipment 378
Chart showing sprayer and duster production, 1936 to date 380

FERTILIZER—FARM MACHINERY—PESTICIDES

THURSDAY, SEPTEMBER 20, 1951

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met pursuant to notice, at 10 a. m., in room 324, Senate Office Building, Senator Allen J. Ellender (chairman) presiding.

Present: Senators Ellender, Johnston, Holland, Aiken, Young, and Thye.

The CHAIRMAN. The committee will come to order.

There will be other Senators coming in as we go along.

On several occasions this year the committee has discussed and considered the serious problems relating to the production of adequate supplies of food and fiber during the present emergency.

It is imperative that American agriculture be supplied with sufficient fertilizer, adequate farm machinery, and pesticides to do the job we are asking of our farmers.

As members of the committee will recall, I wrote Mr. Charles E. Wilson, Director of the Office of Defense Mobilization, early this year, on behalf of the committee, urging that agriculture's needs be given every consideration in the defense mobilization program.

Without objection, I would like to file a copy of my letter to Mr. Wilson, dated March 5, 1951, with a copy of the House report attached thereto, as well as a copy of the reply from Mr. Wilson to me, dated March 12, 1951.

(The documents referred to above are as follows:)

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C., March 5, 1951.

MR. CHARLES E. WILSON,
Director, Office of Defense Mobilization, Washington, D. C.

DEAR MR. WILSON: Since my recent and constructive conversation with you concerning pressing problems in the field of fertilizer production, certain developments emphasize the importance of immediate and positive action. You will recall that we discussed the appointment of a top level adviser on agricultural needs in your Office.

Some of our farmers and their leaders are becoming increasingly alarmed over the prospects of a sharp reduction in fertilizer supplies. Their concern stems from the fact that sulfur and sulfuric acid, major ingredients in the manufacture of fertilizer, are in critically short supply. I believe that we all agree that the concern of our farmers takes on national and international significance because abundant agricultural production is essential to our welfare and security. Fertilizers in adequate amounts are indispensable to American farmers if they are to achieve the high production goals assigned by the Department of Agriculture as a vital factor in the defense effort.

The House Agricultural subcommittee on Fertilizer and Farm Machinery during a 4-day hearing recently developed the fact that fertilizer manufacturers

are apparently anxious, willing, and able to produce the total plant food needs of our farmers, if they can get the necessary raw materials. The immediate bottleneck seems to be the shortage of sulfur and sulfuric acid which are used in the manufacture of about 90 percent of the phosphate fertilizers used annually and also are required in the production of ammonium sulfate.

The fertilizer industry, as you know, is the Nation's largest user of sulfuric acid. It consumed about 35 percent of the total production in 1949. The investigation of the House subcommittee indicated that sulfur deliveries to fertilizer manufacturers were cut 20 percent last October. Some purchasers of sulfuric acid seem to have had their supply reduced even more.

Government and industry authorities tell us that there are no immediate prospects for increasing our supplies of sulfur. There is some question of the desirability of continuing exports at our present rate which was apparently about 22 percent, and will probably be at about the same rate for 1951.

Many agricultural interests have the feeling that they are not receiving deserved recognition as being part of one of the most essential industries in the planning for allocations of fertilizer materials particularly sulfur and sulfuric acid. The first step in recognizing farmers' needs probably should be the appointment of a well-qualified agricultural authority to advise with you about the needs of agriculture in defense planning. Will you please advise me what action has been taken.

The House Agriculture Committee last week approved a comprehensive report including six recommendations issued by the subcommittee. As chairman of the Senate Committee on Agriculture and Forestry, I endorse the House report and recommendations which are attached.

Sincerely yours,

ALLEN J. ELLENDER, *Chairman.*

CONCLUSIONS AND RECOMMENDATIONS OF THE SPECIAL SUBCOMMITTEE ON FERTILIZER AND FARM MACHINERY ON THE FERTILIZER AND SULFUR HEARINGS, FEBRUARY 20–23, 1951

PART I. CONCLUSIONS

Sulfur supply

1. Demand (including exports) will exceed supply in 1951 by more than 500,000 tons.

2. There is little immediate prospect of increasing the supply of native sulfur.

3. Except for reuse of acid now being wasted, the problem for 1951 is to distribute available supply where it will do the most good.

Agriculture's position

4. There are no major stockpiles of any agricultural commodity—the food and fiber we expect to consume in 1951–52 will have to be produced this year.

5. Abundant production is the only way to get the food we will need as an instrument of peace throughout the world and the best way to prevent inflationary price increases here at home.

6. Such production cannot be achieved without tremendous quantities of fertilizer—more fertilizer, not less, than was used last year. Sulfuric acid is a basic ingredient of ammonium sulfate and of almost all phosphate fertilizers.

7. In 1949 (the latest year for which final figures are available) 34.4 percent of the sulfuric acid produced in the United States was used in making fertilizer. Additional large quantities of sulful and sulfuric acid went into insecticides and other agricultural chemicals. Thus, agriculture was by far the Nation's largest single user of sulfur.

8. If farmers are able to meet the increased acreage goals established by the Secretary of Agriculture for 1951, they will require a minimum of 479,000 more tons of phosphate and nitrogen in fertilizer than they used in 1950 to produce the quantity of products required. If farmers are not able to plant the full acreage requested—and there is indication they may not be able to do so—they will require even more fertilizer to produce the quantity of food and fiber we need.

Distribution policies

9. It is clear to the committee that at the present time critical materials—including sulfur and sulfuric acid—are being allocated and distributed without any policy determiniation as to the essential nature of agricultural production and the necessity of fertilizer to that production—apparently on the assumption that farm production is automatic and will occur in ample volume whether farmers have fertilizer or not.

10. The head of the operating division of the National Production Administration responsible for sulfur distribution testified that he has no policy directive to guide him in determining, as between agricultural and other claimants, how or with what priority scarce materials are to be distributed. Nor does he have within his division any consultant qualified or even purporting to present the requirements of agriculture.

11. The present system of establishing priorities for scarce materials by DO ratings and orders completely disregards the requirements of agriculture and may very quickly create a situation where the availability of materials for agricultural purposes will be reduced to zero.

12. No agency representing agriculture is authorized to issue these DO ratings whereas numerous other procurement agencies are authorized to do so—even for such items as office equipment and furniture—and apparently no one has any idea how many DO ratings are being issued, what quantity of material is being covered by such orders, or what use is being made of this material after it has been requisitioned in this manner.

13. As a further indication of the manner in which the requirements of agriculture are being disregarded, the Department of Agriculture has not been consulted in the drafting of an allocation order for sulfur and other chemicals which it was stated will soon be issued. Although a draft of such a control order is known to exist and is said to be even now "making the rounds" of the defense-production agencies, the Deputy Administrator of the Production and Marketing Administration, USDA, testified that neither he nor anyone else in the Department of Agriculture had been able to see a copy of the proposed order although both written and oral representations of the Department's interest in this matter had been made to NPA and other agencies.

Exports

14. For the past 25 or 30 years the United States has been the chief world supplier of elemental sulfur, although sulfur occurs in many other countries and is found in other forms, such as pyrites, plentifully throughout the world. During this period, exports have averaged about 30 percent of United States production.

15. Although exports have been reduced somewhat for the first quarter of 1951, they are still being made at the rate of 800,000 tons per year (not including Canada), equivalent to about 22 percent of anticipated 1951 production of elemental sulfur.

16. Spain is a virtually unlimited source of high-grade pyrites, but use of these pyrites by European industry has been declining since the war—while at the same time use of American sulfur has been increasing—and it is obvious that there has been no real effort on the part of the ECA to get European industry to use Spanish pyrites, rather than American sulfur, as its source of sulfuric acid.

17. In the event of war, European industry would probably have to depend almost entirely on European sources of sulfur and sulfuric acid, since it would probably be impossible to ship American sulfur across the ocean. It would appear to be the course of prudence, therefore, to make the shift to those sources now.

Stretching present supplies

18. For 1951 there appears to be little prospect of bringing into production any new or additional sources of sulfur.

19. There appear, however, to be a number of ways in which sulfuric acid which is now being wasted or discarded after its use in an industrial process can be reclaimed for the production of fertilizer or rehabilitated and reused in other industry. There appear to be substantial possibilities of these savings in the petroleum and natural-gas industry, steel manufacture, chemical manufacture, the paper industry, and elsewhere.

20. Most of these recapture or reuse possibilities are apparently unprofitable at the present price of elemental sulfur, but are chemically and industrially feasible.

21. More effective use of the phosphate fertilizers which are available to agriculture might be obtained by a review by the appropriate Federal and State authorities of mixed fertilizer formulas with the objective of reducing the phosphate application to those crops which can get along temporarily on smaller amounts of this plant food, so that the available material may be utilized for those crops where increased production is directly dependent on phosphate application.

Planning for the future

22. The prospect of a substantial increase in the production of elemental sulfur (brimstone) does not appear to be encouraging.

23. However, sulfur is one of the most plentiful elements in nature and occurs in many different forms, from many of which the sulfur can be recovered (at a price) as an adjunct to some other industrial process.

24. An official of the Solid Fuels Administration testified, for example, that the coking industry could obtain from gases of its own ovens now being wasted 60 percent of the sulfur it needs to convert all its ammonia into ammonium sulfate.

25. Other practical and substantial sources of sulfur (or sulfuric acid) are sour natural gas, smelter fumes, industrial fumes and gases, the petroleum industry, pyrites, and gypsum.

26. As part of the defense program, billions of dollars worth of steel plants, chemical plants, petroleum refineries, and other industrial facilities are being approved for construction with accelerated amortization or other governmental assistance. Many of these facilities will both consume sulfuric acid and produce gases or other wastes from which sulfuric acid might be manufactured or reclaimed.

27. In spite of the shortage of elemental sulfur and the necessity of developing alternative sources of sulfur and sulfuric acid, persistent inquiry by the committee failed to disclose any evidence that defense agencies are planning for or requiring byproduct sulfur production as they approve and assist this defense plant expansion.

PART II. RECOMMENDATIONS

1. That those in charge of the defense program recognize and act upon the elementary fact that agriculture is an essential defense industry and should be given that status in any allocation of critical materials.

2. That advisers and consultants under the supervision and direction of the Secretary of Agriculture qualified and authorized to present the requirements of agriculture, be appointed to participate with the policy-making officials at the highest levels of defense program administrations, agencies, and authorities.

3. That the export program be critically reviewed with the objective of finding out how much American sulfur the industries of other countries can do without—not how much they would like to have.

4. That the present users of sulfur and sulfuric acid be carefully surveyed to discover how much of this material now being wasted or discarded can be recaptured or reused and that positive steps be taken to see to it that this material is saved and utilized.

5. That all possible long-range sources of sulfur and sulfuric acid be examined and analyzed by competent and appropriate governmental agencies—and that sulfur recovery, production, or reconstitution facilities be required, where appropriate, as a condition of the approval of any facility for accelerated amortization or any other such governmental assistance.

6. That research be intensified to discover whether there is a practical and economic method of producing phosphate fertilizer without sulfuric acid or with proportionately reduced quantities of that material.

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF DEFENSE MOBILIZATION,
OFFICE OF THE DIRECTOR,
Washington 25, D. C., March 12, 1951.

Hon. ALLEN J. ELLENDER,
United States Senate, Washington, D. C.

DEAR SENATOR ELLENDER: Thank you for your letter of March 5, in which you recalled our recent conversation concerning problems in the field of fertilizer production. The report, containing the conclusions and recommendations of the Special Subcommittee on Fertilizer and Farm Machinery, which you attached to your letter was quite interesting and well presented.

We are cognizant of the excess of demand over the available supply of sulfur and certain steps have been taken to date to alleviate, in part, this condition. For example, the Department of Commerce has established an export quota of 200,000 tons for the first quarter of 1951. Projected on an annual basis, and compared with last year's total exports, this would represent an annual reduction of

300,000 tons in the export of sulfur. It is my belief that sulfur will have to be allocated within a reasonable period of time and the National Production Authority is now framing a limitation order on the use of sulfur.

In connection with your specific questions, as to my appointment of a well-qualified authority to advise me concerning the needs of agriculture, I should like to state that I have taken this matter under advisement and appreciate the recommendation that you have made.

It is my intent to be of assistance to your committee in matters of this nature and I trust that you will feel free to call upon me as information is needed.

Sincerely,

CHARLES E. WILSON.

The CHAIRMAN. I also had occasion to speak to Mr. Wilson and members of the staff on the subject. The committee is continuing to receive reports that farmers are facing serious shortages of fertilizers, farm machinery, and pesticides.

As a result, the committee decided it would be advantageous to conduct hearings on the situation in order to get the detailed facts as to what share agriculture will obtain of strategic materials, many of which are in critical short supply.

We also desire to learn what the long-range problems are in these fields, and what the probable relationship will be between demand and supply during the next 10 years.

I know that every member of this committee wishes to do everything he can to maintain the highest possible supplies of fertilizers, farm machinery, and pesticides, to the end that vital food and fiber production can be produced to meet our requirements.

In planning these hearings, the committee has had the cooperation of several governmental agencies, industrial organizations, and farm organizations.

On behalf of the committee I would like to thank the following for their help: The Department of Agriculture, the Department of the Army, the National Production Authority, the American Plant Food Council, the National Fertilizer Association, the American Farm Bureau Federation, the National Grange, the National Farmers Union, the National Council of Farmer Cooperatives, and the Allied Farm Machinery Manufacturers Association.

We have also had helpful suggestions from other organizations and individuals, too numerous to mention.

As the printed schedule of hearings indicates, we plan to devote 3 days to the fertilizer situation and 2 days to farm machinery, and such time as may be necessary to make a study of our pesticide requirements.

I understand the Department of Agriculture will discuss the situation with respect to pesticides during the consideration of the other two problems, and it may be that we can obtain sufficient information and advice in that way.

Senator Aiken or Senator Young, do you desire to add to what I have said?

Senator AIKEN. Not at this time, Mr. Chairman.

The CHAIRMAN. Senator Young?

Senator YOUNG. I would like to add to your already good statement that a high rate of farm production is not possible without adequate machinery and fertilizer.

North Dakota is a State that has never had to fertilize much, or has used very little. We are just starting to fertilize within the last 2 or 3 years.

Some of the fields that have been fertilized are showing a yield of as much as one-fourth greater.

I think that all of our experimental stations show a greatly stepped-up yield where fertilizer is used.

The CHAIRMAN. And I presume that same thing will hold true throughout the West—that you have not been using much fertilizer in the past?

Senator YOUNG. Yes.

It has been quite profitable on summer fallow and on corn and potato crops. On those lands that are not prepared to hold the moisture such as summer fallow, it is not as successful.

The CHAIRMAN. Off the record.

(Discussion was off the record.)

The CHAIRMAN. On the record.

The committee will now proceed to a hearing of our first witness, the distinguished Secretary of Agriculture, Mr. Charles F. Brannan.

STATEMENTS OF THE HONORABLE CHARLES F. BRANNAN, SECRETARY OF AGRICULTURE; JOHN H. STAMBAUGH, SPECIAL ASSISTANT TO THE SECRETARY OF DEFENSE ACTIVITIES, AND JONATHAN GARST, SPECIAL ASSISTANT TO THE SECRETARY, UNITED STATES DEPARTMENT OF AGRICULTURE

The CHAIRMAN. Do you have a prepared statement, sir?

Secretary BRANNAN. I do have, Mr. Chairman, and I believe that there is one for all the members of the committee.

The CHAIRMAN. Now, Mr. Secretary, would you like to read the statement through without interruption, or do you mind interruptions as we go along?

Secretary BRANNAN. I do not mind interruptions, Mr. Chairman, whichever facilitates the committee getting the information it wants will be agreeable to me.

The CHAIRMAN. Very well, sir.

Proceed.

Secretary BRANNAN. I would like to say, Mr. Chairman, in addition to my being here this morning, there is also from the Department of Agriculture Mr. John Stambaugh, Mr. Jonathan Garst, Mr. W. A. Minor, Mr. L. G. Porter, Mr. W. R. Allstetter, Mr. L. C. McAlister, Mr. Aylesworth, Mr. Geissler, and Mr. Krogh, all of whom have worked from time to time on machinery, fertilizer machinery, insecticides, and related products and are part of the Department's organization concerned with these responsibilities. They will be available for questioning in case the committee should care to put questions to others than myself.

The production problems facing American agriculture in this period of national emergency have put the Nation's farmers in a serious predicament.

They find, on the one hand, that they have been called upon to produce greatly increased quantities of agricultural commodities in support of the defense effort.

But they find, on the other hand, that the keys to immediate, substantial increases in agricultural production are not solely in their own hands. The keys are largely in the hands of American industry where they are becoming increasingly less available.

Senator YOUNG. Would you mind an interruption at this point, Mr. Secretary?

Secretary BRANNAN. No, sir, certainly not.

Senator YOUNG. I think you would agree that first priority should be given to all types of repairs for farm machinery, would you not?

Secretary BRANNAN. Yes, Senator Young. However, I do want to refresh your memory on one point, and that is that repair parts alone are not the answer because, as happened in the last war when there were no machines but repair parts, the dealers actually made machines out of the repair parts. Repair parts disappeared at a very high rate, not for keeping existing machines going, but for actually making totally new machines.

So that there must be a good balance between repair parts and machines, or the repair part situation will get very drastically out of line.

Senator YOUNG. I think oftentimes that those in charge of steel distribution forget the importance of the local blacksmith shop, the welding shop, and the foundries that provide repairs and replacement parts.

Presently I am having trouble in getting steel for a foundry that has provided the boots or steel pits for many of the grain elevators within the four-State area. These boots wear out or rust out in a relatively short period, and a grain elevator just cannot operate without them.

So far, I have not been able to convince offcials of the extreme importance that type of repair has.

The CHAIRMAN. Off the record.

(Discussion was off the record.)

The CHAIRMAN. Back on the record.

You may proceed, Mr. Secretary.

Senator YOUNG. I wonder if I could say something first.

The CHAIRMAN. Yes.

Senator YOUNG. I think that the second priority ought to go for the production of certain types of machinery which goes a long way toward replacing hand labor. I would put in that category cotton pickers, combines, and the new type of hay baler that picks up hay in the field and puts it into bales. In general, that type of machinery should be given the highest priority for new machinery production.

Secretary BRANNAN. I think that we agree with that, Senator.

May I just ask Mr. Stambaugh to add a little bit of information to the record here regarding the question of parts that you made reference to, such as the shoes for the elevators.

Senator YOUNG. Boots.

Secretary BRANNAN. Yes, boots. I would like to ask Mr. Stambaugh to give us some information on that.

The CHAIRMAN. Will you please give your name to the reporter and let us know a little about yourself.

Mr. STAMBAUGH. My name is John Stambaugh, and I am special assistant to the Secretary on defense requirements.

Mr. Senator, that should be taken care of under what they call the MRO, maintenance and repair orders, which entitles the user to whatever is necessary to repair that facility.

Now, if there is difficulty in that case, it could be directed to the Office of Materials and Facilities in the Department of Agriculture.

If you have any of that information, I think that we would be interested in running it down, because we do not want to see these bottlenecks in places where we are not supposed to have trouble.

Senator YOUNG. I would be very happy to do that, but the trouble we have is this: We go to the NPA, and they will sometimes recognize the need. Then it is a long drawn-out procedure to get an allocation, and after we get the allocation it is not much more than a hunting license. What we usually have to get is a directive before the steel can actually be secured.

Mr. STAMBAUGH. Well, the supplier should supply it on an MRO without allocation.

Senator YOUNG. But they are not doing it.

Senator AIKEN. No; they are not.

Mr. STAMBAUGH. Well, we are interested in running those things down.

Senator YOUNG. Well, you are going to have a case right now.

Mr. STAMBAUGH. All right; we would like to have it.

The CHAIRMAN. I wonder if it would be apropos at this time, unless you have this in your statement, Mr. Secretary, to go into a little detail as to what your set-up is now with respect to obtaining allocations for farmers through the Department of Agriculture? It might be well for the record to put that in right now.

Secretary BRANNAN. I would be happy to, Mr. Chairman.

We have, in the Department, created immediately after the outbreak of difficulties in Korea a group called the Office of Materials and Facilities. It is a part of the Production and Marketing Administration and has in it a small group of men and secretarial help.

The personnel are composed primarily of people who were in the Department and who were connected with this type of work during World War II.

This group carries on our liaison activities with the trade, with the manufacturers, with the producers of machinery, equipment, fertilizers, insecticides, and so forth, and represents them and us before the NPA and DPA, to the extent that we participate in the determination of allocation.

These folks examine and prepare the Department's position on all of those requirement subjects.

The CHAIRMAN. I presume that they marshall all of the facts with a view to presenting to NPA the matter, so as to get proper allocation?

Secretary BRANNAN. That is right, sir.

Now you will recall that we also act as claimant agency, and they help on all our claiming functions.

In addition to that, and because there are some claiming functions, and there are two people on my staff in the Secretary's office on a WAE basis who have come into the office to work as specialists, one in fertilizers and the other in machinery.

Mr. Al Barnes, from North Dakota, came into the office to work exclusively on the machinery problems and to get the allocation of appropriate steel to the industry for the production of machinery.

The CHAIRMAN. Well, to what extent does the Department interest itself in obtaining sufficient steel for the production of fertilizer?

Secretary BRANNAN. Mr. Chairman, we have very aggressively interested ourselves in that subject, trying to demonstrate to the NPA, to DPA, to Mr. Charles Wilson, and to the Mobilization Board the

great need for the fertilizer if American farmers are to do a production job which the economy or which the Nation is calling upon them to do.

We have prepared the case in great detail and at the present time have gotten acceptance or agreement in our proposals for the erection of enough new plants to produce at least 600,000 tons of nitrogen per year.

The CHAIRMAN. I presume that those plants are those that are engaged exclusively in the production of fertilizers for the farmers?

Secretary BRANNAN. No, Mr. Chairman; these plants will be in addition to the existing facilities of present fertilizer producers in some parts, and they will be new producers in others. Part of their production will be available for industrial use and part for military use, in addition to that for agriculture.

The CHAIRMAN. Such as munitions?

Secretary BRANNAN. Yes. The impact on the total supplied by the requirements of the military, of course, having to be taken out first.

It has been necessary to add to the total reservoir, and that is the reason why we have made a drive for somewhere in the neighborhood of 600,000 tons per year increase of nitrogen, and expect and hope that we can add 100,000 tons of nitrogen per year thereafter each year, and new plants, except for the implementation or reactivation, excuse me, of the Morgantown plant, which is under contract now by the Army, except for that all of this increase will have to come from additions to existing plants or new plants.

Senator YOUNG. Mr. Secretary, if you please, I would like to go back to this farm machinery repair situation for just a moment more to give you a good case in point.

Now, at this time when steel has not been nearly as short as it probably will be next year, we have some very bad cases.

For example, the Champion potato digger is probably the most popular digger in the Red River Valley.

It took me a full month to get some steel from the Champion Digger Co. to make carrier chains, which makes it possible for the potatoes to be brought from the ground on up and have the dirt shaken out. In the long potato-harvest season, they will wear out as much as two or three times.

I was just able to get the steel for them about 2 weeks ago, after a month of work with the various officials.

Now, your people in the Department of Agriculture have been very helpful, but I do believe that the NPA does not give proper consideration to some repairs, especially those that are vitally necessary and you cannot operate without.

Now, in the case of chains for a potato digger, which as I said before, wear out two or three times a year, they are made of special steel, and it is just impossible to operate without them. You would think that it would not take that long to make steel available for this purpose.

Secretary BRANNAN. Well, I can only say, Mr. Chairman, and Senator Young, that we are aware of problems like that. We have done our very best to help the NPA and DPA understand them. I think that they are getting better organized to meet those kinds of problems as they go forward.

I do notice that you have on your agenda here for this set of hearings some people from those agencies, and they probably can go into greater detail about the difficulties they have had than we can.

Senator AIKEN. Mr. Chairman, could I get a little better back ground here?

The CHAIRMAN. Certainly.

Senator AIKEN. I notice that for the fourth quarter there has been allocated to the Secretary of Agriculture 127,400 tons of steel and for agricultural machinery and implements 528,400 tons of steel.

This is all according to information from Mr. Wilson's office.

Now, what are you going to do with the 127,400 tons of steel that has been allocated to the Secretary of Agriculture? In what way is that to be used and for what different purposes can it be used other than the 528,400 tons of steel that is allocated to agricultural machinery and implements? It just says "IMP," and I suppose it means implements?

Secretary BRANNAN. Yes, implements.

Secretary AIKEN. Well, why the separation there, and why are you allocated 127,400 tons of steel separately, and also certain amounts of copper and aluminum?

Secretary BRANNAN. I will ask Mr. Stambaugh to answer that in detail and tell you what we have done with that which has been theoretically made available to us.

Senator AIKEN. I supose you would underscore that word "theoretical," would you not?

Secretary BRANNAN. A little, yes.

Senator AIKEN. Possibly with three or four lines.

Secretary BRANNAN. Yes.

Mr. STAMBAUGH. Senator Aiken, the Secretary of Agriculture is the direct claimant for critical materials for the construction of food processing plants and distribution facilities, storage facilities, and on-farm facilities. That is, construction building——

Senator AIKEN. Does that include bins?

Mr. STAMBAUGH. Yes; and bins, and elevators and flour mills, and things of that kind.

The CHAIRMAN. Would that extend to canning factories as well?

Mr. STAMBAUGH. Yes, that would extend to canning factories, and to many different things.

Senator THYE. Is that true of dairy utensils and dairy equipment?

Mr. STAMBAUGH. No, sir; the steel, if I may keep on speaking to Senator Aiken's question——

Senator THYE. Yes, sir; I am sorry.

Mr. STAMBAUGH. I will explain it, I am sure, but the steel to Agriculture Equipment Division of NPA is allocated to the farm equipment manufacturers, and in that are on-farm dairy supplies, such as milking machines, cream separators, and that type of equipment.

Senator THYE. It does not include the plant.

Mr. STAMBAUGH. No, sir, that is the General Equipment Division of NPA, and there is a food-processing plant, or branch that has just been activated there to take care of that which they claim steel for homogenizers, pasteurizers, and the equipment needed in a dairy-processing plant.

The CHAIRMAN. Do you have any idea why that is separated from these other two?

Mr. STAMBAUGH. It is an organizational problem in which the NPA has tried to set up these various industry divisions that seem to fit most easily. In other words, they operate under one association, so that they can go to the association and ask them, "Can you please help the staff of our division?"

For instance, you will find that the NPA Division in agricultural machinery is staffed by men from the industry who know the business intimately, and frankly, I think that is about the best thing that they could do.

Then you will find that the general industry-equipment section is staffed by men from industry who know food-processing equipment.

The CHAIRMAN. Now, to what extent does the Department of Agriculture fight for the proper amount of allocation of steel for these various departments and divisions that have been talked about now?

In other words, the fact that you have a separate division to do this under NPA, and it is not under agriculture, does agriculture have any access to these requirements and to providing a greater share than what they choose to contribute to you?

Mr. STAMBAUGH. Well, sir, my full-time job is just exactly that; that is all I do in all of my working hours, is to keep in constant contact with the committees of the DPA and the NPA, and the Office of Materials and Facility staff, under Mr. Geissler, operates with these men at all levels constantly. They are on every committee that is used to discuss the various allocations with the metals division.

We work with the steel division, for instance, to make sure that there is enough production of barbed wire and baling ties and baling wire and things like that, because we know that those things, if they are just produced, will get to agriculture, that agriculture will get its share. They work intimately in helping the development of the claims of these divisions in which we are interested.

We support those claims at all committee levels and support them, I am sure, up even to the mobilization board. I would say that our staff is devoted entirely to just your question.

Senator AIKEN. In your explorations have you discovered the reason why persons who have allocations cannot get any steel?

Mr. STAMBAUGH. Well, sir, some of us have felt that when they change from a free market on these critical materials to a controlled-materials plan, and I think this is pretty consistent thinking throughout the DPA and th NPA, there is certainly bound to be a tie-up while it is getting into operation.

I think Mr. Fleischmann said when he started CMP that it would take 3 or 4 months to untie the knots that were just tied. In other words, whenever we try to control such a complex thing as this industrial economy, that there are bound to be dislocations until those controls become effective, and there certainly have been those dislocations.

Senator AIKEN. Have you heard that steel is available for $9 and $9.50, but not at $4.50?

Mr. STAMBAUGH. We hear those rumors, but we have not been and are not in a position—that is, it has not been our particular area, to run those down.

Senator AIKEN. Of course, that is right, but those are reports that I think we all get, that steel is available at twice the legal ceiling price.

Senator YOUNG. And I think they are pretty reliable reports, too.

Mr. STAMBAUGH. The Secretary would like to have me explain a little bit as to what we do with the allotment of steel that is given to the Department of Agriculture.

Senator AIKEN. Yes. I was wondering whether the Secretary would be the best judge of how the 127,400 tons should be allocated, and if he was, why would he not also be the best judge as to how the 528,400 tons could be used.

Mr. STAMBAUGH. Well, in that event we would have to try to run the farm equipment industry, and that would be a hard job.

Senator AIKEN. Who does that now?

Mr. STAMBAUGH. The NPA, Agricultural Machinery Division.

Senator AIKEN. Well, don't you think that the Department of Agriculture is just as well qualified as the NPA boys are to do that? Never mind, you need not answer that question.

Mr. STAMBAUGH. Well, I am inclined to agree that the industry can do a pretty good job. Those boys are doing all right.

The CHAIRMAN. But you do take part in seeing to it that a sufficient amount is allocated for the farm machinery?

Mr. STAMBAUGH. We devote our efforts to try to support their claims for materials and to do everything we can to get them all they need.

Now, we know, of course, that when we have a tremendous military program like this, that it would be very difficult to get all that we would like to have.

The CHAIRMAN. Of the 127,400 tons allocated to the Secretary of Agriculture in the fourth quarter of this year, how many of those tons do you think will actually be delivered and used?

Mr. STAMBAUGH. In the fourth quarter?

The CHAIRMAN. Yes.

Mr. STAMBAUGH. Frankly, I don't believe that we will deliver them all, for this reason: Our pipelines in agriculture are most complex. We have so many little people in the agricultural field, small processing plants, small canners, a grain elevator here, and a cotton gin there, so that it is very difficult for us to get this information out and to have all these people understand what they must do in order to get the critical materials, and also it would be most difficult for us to state a real factual set of requirements in that area until we have had experience; this is our experience that we are getting now.

On that basis we have urged the DPA to be liberal with us, and to assure them that if we found we had steel that was improperly directed because, for instance, our people in the country thought that it was an A product which would be a direct claim on our allocation, or a B product, which is something manufactured in another division, say, like aluminum sash. Some thought that when they claimed from us aluminum, they thought that they had a claim for sash, but that would be the construction material division, a B product, and they would make that for the market, and that we would turn it back into the divisions where we thought there were areas of difficulty.

We have already done that. We have turned a million pounds of stainless steel over to the Food Processing Machinery Division Branch in the NPA.

Senator AIKEN. Are you getting stainless steel in your allocations?

Mr. STAMBAUGH. Oh, yes; there is stainless steel.

Senator AIKEN. Stainless steel? Would that be for the construction of a plant?

Mr. STAMBAUGH. In the food-processing plants and oil-extraction plants, there are parts of the construction line that have to be constructed on the job. They are custom built sort of things, and they are let with the contract and built as a part of the construction, as against tanks, fabricated by a manufacturer, or a homogenizer would be fabricated by a manufacturer, and brought into the plant.

Senator AIKEN. You are getting some allocation of stainless steel along with other types of material?

Mr. STAMBAUGH. Yes; but we have turned some over to NPA for food-processing equipment. We have also turned over to the facilities bureau several thousand tons of carbon steel for the construction of nitrogen plants.

When we saw that area of great importance to us we immediately took from our allocation this material and put it back into the NPA for that purpose, and I think, frankly, that we have done a pretty good job in selling the DPA on the necessity for this construction program. I don't think that we will get hurt in the fourth quarter.

Senator YOUNG. Is it much harder to get repairs now than new farm machinery? I have found it to be so, and that ought not to be.

Mr. STAMBAUGH. You are right, sir, that should not be. I think that is a spotty situation in different parts of the country. Repairs have not been really what you would call free in all segments of agriculture since before World War II, unfortunately.

Senator YOUNG. Well, one way to bring down the price of food products is to get abundant production, and you cannot do this without repairs.

Mr. STAMBAUGH. There is no question about that. I think that Mr. Eric Johnston's office has a big stake in what the Department of Agriculture can get, maybe more so than anyone else.

The CHAIRMAN. All right, Mr. Secretary, you may proceed, sir.

Secretary BRANNAN. These keys to relatively quick increases in agricultural production consist principally of additional amounts of fertilizers, chemicals, and new machinery and equipment together with essential repair parts—all of them to be used in combination with improved farming practices. Because these industrial items involve the use of scarce or critical materials, they are, in most cases, becoming more difficult to obtain. Meanwhile agriculture's need for them grows more acute.

Recognition of this predicament and the serious consequences it holds for the Nation and its defense effort is growing. But there is still need for further action toward solving this critical problem before the Nation can be assured of adequate supplies of food and fiber to meet growing needs in the years of tension ahead.

Many of our people have a take-it-for-granted attitude about agriculture. They take it for granted that there will always be plenty of food and fiber available in this country—and that is about as far as their consideration of agricultural matters seems to progress.

Actually, such an attitude can be interpreted as a backhanded compliment to our farmers who have supplied the Nation so abundantly and so faithfully that our people have never known or had reason to fear a serious food shortage. But, of course, such an attitude is not a realistic one.

American agriculture is facing an extremely serious production problem. While demands are increasing rapidly, very little land can

be added; farm labor is becoming scarcer; and production materials are harder to get as farm needs increase and industrial output is devoted more and more to military needs. Yet any serious limitation on the Nation's supply of food and fiber or its supply of agricultural raw materials is a limitation on the Nation's defense effort and its position of world leadership.

Consider the fact that agriculture is the Nation's oldest and most basic industry. It is charged with the most fundamental responsibility of our entire economic system in providing the food and fiber which feed and clothe our people. And it is charged also with the fundamental responsibility of providing a great share of the raw materials which feed the Nation's industrial machines.

Consider the fact that it has been largely due to the efficient functioning of the agricultural part of our economy that seven-eights of the Nation's workers have been released for jobs in our great industrial complex. Today one man in American agriculture produces food and fiber for himself and about 15 nonfarm people, whereas in most of the world less efficient agricultural systems keep the majority of workers tied to the land.

Consider the fact that the Nation's ability to share abundant food supplies with needy peoples abroad has proven to be one of the Nation's strongest tools of war and diplomacy. In two world wars, abundant food supplies from the United States have weighed heavily in the outcome. And in the recent postwar period, food supplies from the United States helped to settle chaotic conditions abroad and stem the tide of advancing Communist imperialism.

These three facts alone are sufficient to document the importance of agriculture to the defense effort and the Nation's position of world leadership. But consideration of yet another fact is needed to outline the full implications of the predicament now confronting American agriculture. I am referring to the fact that American agriculture is facing the future with limited land and labor resources and that its ability to meet the increasing needs of the Nation rests in large part on its ability to acquire essential industrial materials necessary for expanded production.

To illustrate this point, we are this year turning out from our farms a third more than in 1940. We are accomplishing this on about the same acreage as in 1940 but with fewer people engaged in agricultural production. This means, of course, that we have managed to maintain an upward trend in the productivity of farm labor and farm land.

It is obvious that if we are to meet the increasing demand for agricultural commodities in the critical years ahead, this upward trend must continue. And the factors which contribute to such a trend must be supplied in sufficient strength to maintain an upward course. Otherwise we shall fall short of meeting the additional requirements for the defense effort and the needs of a rising population.

One of the factors which has made it possible to meet the increasing demand for food and fiber during the past decade is the rapid expansion in the use of fertilizer. In 1940 farmers used about 1.8 million tons of plant nutrients in the form of commercial fertilizers. On about the same total acreage in 1950, farmers used a total of about 4 million tons. A year later in 1951 they used nearly 5 million tons.

This rapid expansion in the use of fertilizer is one of the most dynamic segments of agriculture's demand for industrial materials. Farmers are turning more and more to the use of fertilizer as a means of stepping up production to meet increasing demand. In fact, they are expanding their use of fertilizer at a rate faster than would be indicated by the growth in our population. In 1940 farmers used 13.4 tons of commercial plant food for every 1,000 persons in our rising population.

Senator AIKEN. Where has that increase taken place, most of it, Mr. Secretary, generally?

Secretary BRANNAN. Senator, generally speaking, it started along the Atlantic seaboard and has moved westward, and it is still moving westward.

There has been, however, a very marked growth in the use of fertilizer in California in the irrigated area, so that California is not quite at the end of the line, or the Pacific coast, including California, Washington, and Oregon, is not the end of the line.

That has also been a concurrent growth out of there, but in the far West, the Rocky Mountain West, except for some of the irrigated areas, they have not fully turned to the use of fertilizers until the last year or two.

The great wheat-producing areas of the country have only recently turned to the use of fertilizers.

Senator AIKEN. In other words, it is taking place in an area that has used little or no fertilizer up to a few years ago?

Senator JOHNSTON. Isn't there another economic reason for that? I think you will find that on a lot of these farms that they are able to buy more fertilizer because of having been able to sell their crops for more money. Does that have anything to do with it?

Secretary BRANNAN. Senator Johnston, that has, but I think your State is one of the outstanding examples of the early and intelligent use of fertilizers. The farmers there have been using it for a number of years, a considerable number of years now, and they are increasing the efficiency of it every year.

Senator JOHNSTON. Don't you find that true also where you have diversified farming, that it has a tendency to increase the production?

Secretary BRANNAN. It has, sir, although cotton is one of the big users of fertilizers.

Senator JOHNSTON. Yes.

Secretary BRANNAN. In 1950 they used 27.1 tons or twice as much in relation to population as in 1940. Given the supply, we see a continuation of this uptrend for years to come.

The CHAIRMAN. Mr. Secretary, speaking of supply, how has the supply met the demand this year?

Secretary BRANNAN. Well, Mr. Chairman, I discuss that in some greater detail further on. However, I will say that the supply did not equal the demand, and we do not expect it to in the near future, and we have some charts to put in on the subject.

The CHAIRMAN. All right. I will wait until you reach that point. You may proceed.

Secretary BRANNAN. Another factor contributing to the increased volume of farm production is the greatly expanded use of farm equipment. This, too, is a part of a long-time trend of production expan-

sion that has served to compensate for the reduction in the number of horses and mules and of man-hours employed in farm production.

In 1940 farmers used $5 billion worth of farm equipment. Today they are using equipment valued at $17.5 billion, or three and a half times as much. If we allow for the increase in prices of machinery since 1940, it appears that farmers are using two and a half times as much farm equipment to do today's farm production job.

Thus it is obvious that we cannot ignore agriculture's needs for additional quantities of industrial supplies if we expect agriculture to fulfill its responsibilities in the mobilization effort that lies ahead. American agriculture and American industry are integral parts of a powerful team. Neither can function effectively without continued help from the other.

The danger in this emergency period has been, of course, that mobilization planning for defense might not provide for the allocation of necessary supplies of industrial materials to agriculture. I don't mean to imply that agriculture has ever disputed the granting of priorities on critical materials for military end items, for that has not been the case. Agriculture has, however, worked for priorities that recognize the essentiality of high-level agricultural production in both military and civilian defense efforts.

Senator JOHNSTON. Right there, isn't it true, as you brought out just a few moments ago, that with the amount of people that are now working on the farm being materially less—it is true that there are less people working on farms now?

Secretary BRANNAN. Yes, almost a million less.

Senator JOHNSTON. Then if you were to try to go back and work without machinery we just could not do it, that is all there is to it?

Secretary BRANNAN. It would be a sheer impossibility. Both the people and the animal power that they used to use would not be there.

Senator JOHNSTON. Well, that would also wreck our defense program, would it not?

Secretary BRANNAN. It certainly would, Senator.

Senator AIKEN. Well, I am afraid if we went back to the use of horses that maybe the shortage of beef would be a little more acute.

Secretary BRANNAN. Yes, the shortage of beef, in the first place, and in the second place, a good part of the horse and mule population has gone into dog food and it is no longer there.

The Department of Agriculture as claimant agency for agriculture and related food industries has made every effort to bring the Nation's mobilization planning program into accord with the minimum essential needs. I am happy to report that progress has been made in this direction. Reflecting this is the fact that agriculture has come through this year's harvest season in pretty good shape.

But a number of serious problems still loom in the future. Agricultural planning, which must be conducted at least a year in advance, is faced with the fact that the defense program is just beginning to put the squeeze on the industrial materials available to agriculture.

I would like to report briefly on the farm machinery and pesticide situations and then discuss the fertilizer situation in some detail. I understand that the committee expects Mr. Gus Geissler, Administrator of the Production and Marketing Administration, to explain the farm machinery situation in detail at a later date.

The CHAIRMAN. Yes, he is scheduled to be here on September 25.

Secretary BRANNAN. Yes, sir, and arrangements have been made.

The CHAIRMAN. That is right.

Senator JOHNSTON. Right there is it not true that most of the pesticides used are used with machines or distributed with machines?

Secretary BRANNAN. Yes, sir, including airplanes now.

Senator JOHNSTON. Thank you.

Secretary BRANNAN. Production of farm machinery was carried out at an all-time high rate during the first 6 months of this year but fell off during the third quarter to about the level of production in 1949. In the fourth quarter, production is expected to drop still further to about 80 percent of the 1949 level.

Thus farmers are believed to have a fairly adequate supply of machinery on hand at this time except for such specialized pieces of equipment as cotton pickers, crawler tractors and crawler tractor repairs. The present sharp downward trend in production of machinery, however, spells danger for the future, as Mr. Geissler will report to you later.

The pesticide supply during this crop year has been generally adequate. Production of the preferred types of pesticides was increased approximately 50 percent in 1951 above the 1950 level. This sharp increase in production has served to increase carry-over supplies somewhat for the next season and has helped to replenish the empty pipelines resulting from the shortage last fall.

Not all farmers were able to obtain supplies at all times during the year, but where distribution problems were brought to the attention of the Department, the pesticide industry was informed and measures were taken swiftly to meet isolated shortages.

The fertilizer situation is one of our greatest concerns. This is because fertilizer, when used under proper conditions and in conjunction with other desirable practices, can bring about a greater increase in production of all crops than any other single influence.

The importance of fertilizer in the present emergency is illustrated by developments that have occurred in American agriculture during the past 20 years. The total acreage of cropland was not increased significantly during this period, but farmers boosted production to keep pace with our growing population through mechanization, improved crop varieties such as hybrid corn, better pest control, fertilization, and improved cultural practices.

While these improvements still have unexpended power for further expanding production, the present trend of increase is not enough to meet emergency needs. For example, we already have 81 percent of our corn acreage shifted over to hybrids. Furthermore, the great shift from horses to tractors that has already increased our food output cannot be repeated.

Yet we must speed up our rate of increase. Therefore we are looking on fertilizers as the principal key for accelerating immediate production and improving soils for sustained production at high levels. However, the outlook for fertilizer supplies in the years immediately ahead is not as encouraging as it should be.

Senator AIKEN. What about the importation of nitrates now?

Secretary BRANNAN. We are presently attempting to increase the imports of nitrogen from Chile primarily, but from South American sources.

The problem is a most difficult one, because there are strong demands on the total output of Chile now for Europe and some small part for the United States.

If they are able to increase the export to the United States it must arise out of an increased production, rather than a deflection of their present pattern of support.

Senator AIKEN. Well, there has been quite an increase in transportation rates and would not that tend to increase the price?

Secretary BRANNAN. That is one factor, but the actual production of it is the first and primary problem with which we are confronted.

Senator AIKEN. I know that the transportation in the matter of transporting oil, for instance by the chartered tankers, is now approximately double what it was a year ago, and we are promised that it may be 400 percent from what it was a year ago before spring and I wondered if the same thing was taking place in the transportation of Chilean nitrate, if the transportation cost alone would not tend to——

Secretary BRANNAN. Yes, it would be a very significant factor.

However, Senator, I think if the United States went after the nitrate that it could successfully compete with any other users in the world. So that price is only one of the elements that we have to worry about.

Senator AIKEN. If the United States went after some of the shipping interests that might improve it a little bit, too.

Secretary BRANNAN. That is right, sir, but we do not want to deflect the shipments of nitrogen and other fertilizers to Europe, because if we do that, that means that we would have to send them more food.

Senator AIKEN. I understand that.

Secretary BRANNAN. Fertilizer supplies for the 1952 crop year will not be large enough to meet the anticipated demand, even though the total tonnage of commercial plant nutrients probably will exceed the record supplies for the year ending June 30, 1951. In that year compared with the one immediately preceding, we had 25 percent more nitrogen, 8 percent more phosphoric acid, and 28 percent more potash.

The total supply of nitrogen available for fertilizer purposes in 1952 is expected to exceed the 1951 supply by a small amount, but will not be sufficient to meet estimated requirements.

The immediate potash supply situation seems to be healthier in that the supply is expected to be at least 10 percent greater than in 1951. Even so, it is not likely to meet all demands in every section of the country.

Phosphate supplies in 1952 will be reduced, due to the tight sulfur and sulfuric-acid supply situation. At the 1950–51 level of production, we require annually around 1 million long tons of sulfur or its equivalent in sulfuric acid for superphosphate production. The demand for sulfur in connection with fertilizer demand has also been expanding very rapidly and promises to continue so well into the future.

In spite of that the tonnage available for this purpose in 1952 will probably be substantially less than the tonnage consumed during the past year.

The Department of Agriculture is attacking the shortages on two fronts. First, it is promoting the industrial developments needed to increase production of fertilizer materials. Second, it is promoting more efficient use of fertilizer materials within agriculture.

The Department's recommendations for nitrogen plant expansion are designed to balance the supply with the demand within the next 2 to 3 years. This means we recommend the construction of plants having a total annual capacity of 700,000 tons as quickly as possible.

The Department estimates that if the Nation had produced what would have been desirable in feed grains and pastures in 1951, we would have needed 500,000 tons more nitrogen in fertilizer than was available. On the average, for the country as a whole, 1 pound of nitrogen, used right, will increase corn yields by 20 pounds per acre, and in most instances we are far below the maximum quantities that can be added regularly.

Besides the current deficit of 500,000 tons, the Department calculates that we will need to add to our nitrogen production to the extent of 100,000 per year. This will be necessary to take care of the yearly increase in our population which is growing at the rate of nearly 7,000 new mouths a day, or about 2.5 million each year.

The additional production of about 100,000 tons each year actually will provide only about one-half of the necessary increase in farm production. But from past experience we estimate that improved practices in feeding and farming will take care of the other half.

The Department has been working closely with the defense agencies in planning for this increased nitrogen production. Up to now, certificates of necessity have been issued for the construction of nitrogen plants with a total capacity of over 600,000 tons a year.

Now the next statement or sentence I have deleted because it really is not a subject within our immediate competency and others are more capable to testify on that than we.

Applications for permission to build another 200,000 tons are in hand; of this total of 800,000 tons, at least 150,000 tons will go to industry.

It takes about 2 years to bring a nitrogen plant into production, so that in thinking of the plant expansion program it is necessary to look ahead to about 1954.

A few new nitrogen plants have just recently come into production, and it is expected that the Army's nitrogen plant in Morgantown, W. Va., will be reactivated in time to come into production early in 1952. The output of these plants will contribute to the total available for the 1952 crop year. However, it seems unlikely that the total nitrogen available in 1952 will be more than 5 percent above that of 1951.

In 1953 the total nitrogen available for fertilizer may very well be increased to 15 percent above the 1951 level, while in 1954 the increase should total about 50 percent above present usage.

The CHAIRMAN. And making those estimates, of course, you are not considering total war, but that is just in case conditions continue as they are now.

Secretary BRANNAN. That is right. This is assuming that the defense will not draw from the total nitrogen supplies appreciably more than they are now drawing.

The CHAIRMAN. Yes.

Secretary BRANNAN. Or if the demand increases that they will supply it from other than the present existing sources.

The CHAIRMAN. Well, while we are talking about war, how does the supply of fertilizer during this emergency compare with the supplies we had during World War II, when we had all-out war?

Secretary BRANNAN. Well, Senator, first of all, the supplies are not nearly so great and the demand was not nearly so great.

The CHAIRMAN. You mean during World War II?

Secretary BRANNAN. World War II, yes.

The use of fertilizer, particularly for the development of pastures, is increasing considerably.

The CHAIRMAN. Well, I presume that the same thing applies to corn in Illinois and Iowa, because it was only a few years ago when they started to use fertilizer, is not that right?

Secretary BRANNAN. That is right.

The CHAIRMAN. At least in any great quantity.

Secretary BRANNAN. That is right.

The CHAIRMAN. And as time goes on, as you pointed out, and land becomes more and more depleted, greater use of fertilizer will be in order.

Secretary BRANNAN. That is right.

Senator THYE. I think, Mr. Chairman, that there is now the know-how, or the education that has been conducted that has taught us the benefit of commercial fertilizers, and in the present economic condition, the two have brought about a greater use of fertilizers.

The CHAIRMAN. Yes.

Senator THYE. And then you have had the greater rainfall which also lends itself to a better use of fertilizers, because in your cooler summers you have recognized the need of fertilizers in order to mature your crops.

In the Northwest today, without the application of fertilizers, you would have had a greater amount of soft corn than we actually have today, and the crop of corn in the Northwest is not by any means secure from a killing frost; it is still green, still soft corn.

Secretary BRANNAN. That is right, Senator Thye.

However, the fundamental element of the problem is that the demand for agricultural products itself has so increased that it has required the more efficient use of the existing acres of land and fertilizers is one of the chief elements of getting a more efficient use of the land.

Senator THYE. The demand was there, however, Mr. Secretary, during the years of World War II, but there was not the complete know-how for using the fertilizer, and you did not have the machinery for the application of fertilizer.

Secretary BRANNAN. That is right.

Senator THYE. And all of this has come about, first, because of the demand. Then the weather was so wet. And the third factor is the economic condition of the farmer, because it cost something to put in a supply of fertilizer, to make the application. If the farmer did not have credit or the financial means to do so, he certainly could not make the application of fertilizer in the spring of the year.

All of this, combined with the educational know-how, has all lent itself to a greater demand for fertilizer. There will be a great demand next year, in my humble opinion.

Secretary BRANNAN. That is the burden of everything that we are saying this morning.

Senator THYE. Yes, sir, and I think it is very timely, not only to have this meeting but your very statement here is very timely.

Senator JOHNSTON. Has the farmer become better educated? He has become better educated in growing crops by what he has learned by the use of fertilizer.

Secretary BRANNAN. Yes.

The CHAIRMAN. Off the record.

(Discussion was continued off the record.)

The CHAIRMAN. All right. Proceed, Mr. Secretary.

Secretary BRANNAN. It should be pointed out however, that these figures do not take into account the increased need for nitrogen by the military should worsening of the world situation require a step-up in the manufacture of munitions.

In such an event, the necessary nitrogen supplies would be taken directly from the total available to agriculture. In 1944–45 the military requirements were 600,000 tons of nitrogen. By comparison, the present military requirements are very small.

From agriculture's point of view, it must be said that industry shows a willingness to make investments for an enormous increase in the Nation's nitrogen production. And it must also be said that the defense agencies have been cooperative in arranging their tight schedules for plant construction to include nitrogen for fertilizer.

However, to be candid, I must also add that projects to start construction for about 250,000 tons of plant capacity were possible only because the Department of Agriculture took emergency action to make steel allotments for this purpose available from supplies earmarked for the construction of food-processing plants. This emergency action has necessarily raised certain other problems to which the Department and the defense agencies must give their attention. To my knowledge the defense agencies have yet to approve the Department's allocation of this steel.

The CHAIRMAN. Well, you do not anticipate trouble, do you?

Secretary BRANNAN. Well, Senator——

The CHAIRMAN. I mean, as I understand it, the steel that you have allocated for production is some that had been previously allocated to you?

Secretary BRANNAN. Yes; but there are a couple of steps between that and the ultimate delivery of the steel and the directive to the manufacturer of the steel to make it available.

The CHAIRMAN. In other words, although you have allocations the availability may not be——

Secretary BRANNAN. That is a different thing.

The CHAIRMAN. All right.

Secretary BRANNAN. With respect to potash, the Department is doing its utmost to see that the necessary materials and facilities are made available for the opening of new mines that will add to the available supply in 1952. The present known potash deposits and development plans should take care of agriculture's expanding needs during the years immediately ahead. However, the long-time outlook for our potash supply is not so bright at this time.

The Department's efforts toward increasing phosphate supplies are directed toward encouraging the development of new sources of sulfur and sponsoring the installation of processes to treat phosphate rock with nitric acid in place of sulfuric acid. Such installations, however, are not expected to figure in the over-all supply of available phosphates in 1952.

About 95 percent of our phosphate fertilizers require sulfuric acid for their manufacture. Somewhere in the neighborhood of 35 percent of the total sulfur consumed in this country finds its way into fertilizers, about three-fourths of this amount going into phosphate fertilizers.

Because of the sulfur shortage, it is estimated that the supply of phosphate fertilizers will drop between 8 and 10 percent during the coming year. We can't be sure of this estimate—the situation could be better or worse. In any event, however, we will not have as much phosphate fertilizer for 1952 as we had in 1951.

The announced goal of defense agencies is an increase for all purposes of 1 million tons of sulfur production by the end of 1952—more if possible. If this program is successfully carried out, the fertilizer industry will, of course, benefit by the increase. And if present programs for conservation and reclamation of sulfur and sulfuric acid are successful, the situation will be further eased.

There is one other complicating factor in regard to phosphate fertilizers which is hard to evaluate at the present time. It concerns the extraction of uranium from Florida and western phosphate rock—a process that uses additional sulfur.

In order to extract uranium, it is necessary that phosphoric acid be produced by the "wet process," which involves chiefly the use of sulfuric acid. This is done at triple-superphosphate plants.

There the phosphoric acid that is made with the aid of sulfuric acid is, in turn, used to treat additional rock to produce triple superphosphate. The production of triple superphosphate in this manner requires 10 to 11 percent more sulfur per unit of phosphoric acid than is required in the production of normal superphosphate. This could mean we could or would get higher analysis fertilizer but less total phosphate.

In summarizing the general situation with respect to production materials, I would say that efforts to meet agriculture's essential requirements have been fairly successful to date. The cooperation which has developed between the Department, as claimant agency for agriculture, and the agencies that allocate materials is encouraging. Appropriate action has been forthcoming with respect to most of the production materials needed by agriculture as those responsible for allocations have studied and become informed of agriculture's role in defense and of agriculture's needs. But a number of the most serious problems have yet to be faced.

It is important to remember that a "lead time" of a full-crop year or more is needed in planning for agricultural production. The Nation's farm production cannot be turned on and off at will. Because of this, it is necesary that materials and facilities be scheduled to prevent future shortages.

Such planning, however, will become increasingly more difficult as the rapid increase in military production cuts ever bigger bites out of the industrial materials available to agriculture and the rest of the economy. With the essential needs of agriculture continuing their inevitable upward trend, there is need for even greater awareness of agriculture's vital role in bolstering the Nation's efforts to meet the tests which lie ahead.

We in the Department of Agriculture, with help from Congress and interested groups outside of Government, except to keep on working toward fuller understanding of agriculture's needs. With the cooperation of the allocating agencies, I am confident the Nation will

forge ahead with a balanced mobilization program in which agriculture will be able to carry its full share of the load.

Senator JOHNSTON. Now, where do you get most of your phosphate now?

Secretary BRANNAN. Most of the phosphate rock is being mined in Florida and——

Senator JOHNSTON. And Idaho?

Secretary BRANNAN. Yes.

Senator JOHNSTON. You do not mine any in South Carolina now?

Secretary BRANNAN. May I ask the question of one of my staff?

Do we get any phosphate rock from South Carolina? I am told that we do not, Senator.

Senator JOHNSTON. Well, years ago we used to get a large portion of it from there.

Secretary BRANNAN. Apparently they have used it up.

Senator JOHNSTON. No, no; it is still there.

The CHAIRMAN. Mr. Secretary, could you give us an idea of what percentage of farm production or increase of farm production is due to fertilizer? Do you have any statistics to present to the committee on that?

Secretary BRANNAN. Well, Senator, I do not know whether this would be an adequate answer to the question. As you are aware, between 1940 and 1950 we have increased our total agricultural output in this country by about 40 percent. That, of course, is chargeable to three things, because in that period of time we have increased our land usuable for agricultural purposes by only 1 percent. There are four factors: New varieties of crops, such a hybrid corn and certain types of oats and several others; the insecticides and weed killers; mechanization and fertilizer.

So, divided between those four, that 40 percent divided between those four, would be quite a speculative answer.

But there are some measures that I——

Senator THYE. Well, before you leave the four, I also believe that you can attribute the increase partly to better crop years, I mean better climatic conditions for crop production in those same years than we had in the prior 10 years. You have had no major droughts comparable to the early thirties. You have had a larger crop production in the Dakotas and Montana, as well as Kansas, even in the Panhandle area, than you had during those early years of the thirties.

I know that in the Midwest you have had better climatic conditions, such as rainfall, and that has greatly assisted in the production. If we dip back into some dry years, in spite of everything that we could possibly do, we might still have a shorter corn and wheat crop, as well as legumes, than we have had in these past years. Therefore, we must keep our sight on the ever-normal-granary factor in order that we make certain that we do not deplete our carry-overs too drastically.

The CHAIRMAN. What I had in mind principally, Senator Thye, was a normal year.

Senator THYE. Yes.

The CHAIRMAN. I realize that during a drought, no matter how much fertilizer is used, it could not become available because it has to be dissolved and be fed to the plant.

Senator THYE. That is correct.

Senator JOHNSTON. The same thing was true last year with cotton.

The CHAIRMAN. But oridinarily, though, you give us some figures here as to certain crops as to why they increase, such as corn production, 1 pound to 20, and I was just wondering if you had figures that would indicate that.

Senator THYE. The very best farm manager was unable to obtain in those drought years the production that he has obtained during these other years. We have had the rainfall in these recent years, and it has aided in the production. We just cannot overlook that factor.

Secretary BRANNAN. Well, I certainly do not want to depreciate the credit which the good Lord is entitled to for our increase in production, but I would say this: that if the same situation were to reoccur this time it would not have as severe an impact upon our production as it did at that time.

Senator THYE. I would agree with you.

Secretary BRANNAN. Because we know so much more about protecting our land against drought circumstances than we did then. A drought of extended duration, of course, would bring us all to our knees eventually, just as it would bring the whole civilization of the world to its knees eventually.

But the first 2 or 3 years the impact would be much less severe than before, and the know-how to handle it would be helpful.

Senator THYE. I say that we must not lose sight of that. I have seen acres and acres that yielded the third crop of alfalfa this year that last year only gave one short crop, and the rest of it, because of a dry summer, just simply dried up in the field and never did produce a second, not to say anything about a third crop. I am now speaking about Minnesota and Wisconsin.

Rain is a factor that has lent itself to production in the Dakotas and Montana, as well as some of the Southern States, so that if we had a reoccurrence of dry years, in spite of everything that we did do in increasing the use of fertilizer and in better farming, or better farm management, we would still not be able to produce what we have produced because of the splendid climatic conditions that we have had these last 10 years.

The CHAIRMAN. Mr. Secretary, have you any doubt in your mind that that is the present prospect for fertilizer in the future which you have indicated in your statement—that we would be able to maintain our present production?

Secretary BRANNAN. No, Mr. Chairman, if we get the increases in fertilizer that we are driving for, I think we can continue to increase our production somewhere in the neighborhood of the increasing demand.

The CHAIRMAN. Those that you are directly driving for now, as I understand, are more or less in process now—you have mentioned sulfur, and I can say this to you: that in my own State—in fact, within 40 miles of where I have lived—they discovered a new sulfur mine there which would be in operation within the next 18 months, and as I understand there is a big dome on the coast, and then about 4 or 5 months ago they discovered another very large dome not far from the Mississippi River, back from the Gulf, on some of this marsh land, and it is hoped that within the next 3 or 4—or at least 3—years that the production of sulfur may be increased by about 1,000,000 tons per year, which would help greatly in providing sulfuric acid for phosphate production.

Secretary BRANNAN. Yes.

The CHAIRMAN. If all of these things develop as you have described, there is no doubt in your mind but that—and, of course, weather conditions prevailing; that is, normal weather conditions prevailing—that we can at least maintain our present production?

Secretary BRANNAN. That is right, Senator. I would just like to cite one little experience that I had recently, and I am sure you have when you have been to Europe.

I saw a 20-acre plat of land in Holland that had produced 82 bushels to the acre of wheat.

That piece of land had been in use continuously since it was reclaimed from the ocean.

Of course, that is a tremendous production of wheat, when you remember that the United States average is about 14 bushels per acre.

When we started to find out and inquire about how he got it, we learned that he had applied a tremendous amount of fertilizer per acre in order to get that every year.

The CHAIRMAN. And he also had the humus there.

Secretary BRANNAN. Yes; he had natural fertilizer.

The CHAIRMAN. But there was humus to keep the soil damp.

Senator THYE. What is the rainfall in that particular area?

Secretary BRANNAN. Well, the rainfall itself is not a problem. Drainage is the problem there. They are under the sea level.

Senator THYE. That is the only reason I brought the question up. You see, you could make the same application on some of our arid area, and it would absolutely burn up the crops. That is the common-sense angle that we must never lose sight of.

Secretary BRANNAN. Certainly, and in my statement both times referring to fertilizer I have always added: "the use of fertilizer with other things in connection with the other normal practices."

Well, all I am reciting that for, Senator, is that the potentials for increasing production in this country by the use of fertilizer, just from that experience or that example alone, are quite great, very, very great.

If we have to ever come to the intensive type of agriculture that some of the European countries have come to, we will be more capable of meeting that than they will, because there are vast areas in the United States which have a rainfall with the equivalent of Holland, of course.

Take Senator Johnston's State. His State probably on the average, or in many parts of the Coastal Plain, would have the same amount of rainfall as Holland.

Senator THYE. Mr. Secretary, I would venture to say that at this time educational development for the operating farmer, not only from the PMA, has enabled the farmer to advance in his actual production and to give better care to his lands. It aids in conserving fertility for future generations, and this has all come about in the past 15 or 20 years.

I would give the greater credit within the past 15 years. I see it in my own community, and I see it definitely in my State, as well as from the eastern seaport across the country. Fertilizer has played a very important part along with the educational activities of the Department of Agriculture from its PMA units, through its Extension Service.

Senator JOHNSTON. There is no question but that Senator Thye speaks correctly, and you have to take into account weather conditions, both wet and dry.

Senator THYE. Yes.

Senator JOHNSTON. In my State last year we grew large and beautiful cotton stalks—cotton stalks grew very large, but we could not get in the fields to kill weeds with poison because of the rains; and therefore, we made the weeds but did not make the cotton.

The CHAIRMAN. Mr. Secretary, I notice that you have completed your statement, and you have a chart here before us on a mighty nice stand.

Off the record.

(Discussion off the record.)

Secretary BRANNAN. Senator, may I just supplement the answer to the question you raised about the increases that could be derived from the use of fertilizer?

The CHAIRMAN. Yes.

Secretary BRANNAN. Mr. Jonathan Garst has put before me a note saying that we estimate or that he now estimates that 25 percent of the increases between the agricultural production output from 1940 to 1950 was due to the use of fertilizers.

The CHAIRMAN. How much?

Secretary BRANNAN. Twenty-five percent of it.

The CHAIRMAN. Of the 40 percent that you indicated?

Secretary BRANNAN. No, of the increase of 40 percent, the volume of the increase, whether it was 40 percent or whatever it was, 25 percent of the volume of the increase could be credited to fertilizer.

The CHAIRMAN. In other words, the 40 percent you mentioned a while ago, of that 40 percent 25 percent would be due to fertilizer?

Secretary BRANNAN. Yes, sir.

The CHAIRMAN. Is he a fertilizer manufacturer?

Secretary BRANNAN. Not a manufacturer, but he is an expert in the field.

Mr. GARST. Senator, I thought your question was as to what percentage of our present production is due to fertilizer use, so I did not explain it. I just put it down that we estimate about 25 percent of our total production in the United States is now due to fertilizer.

The CHAIRMAN. How do you reach that conclusion?

Mr. GARST. Well, for instance, on corn, we will take one crop where we are using about 400,000 tons of nitrogen, which means 288,000,000 bushels more corn than if we had not used nitrogen.

The CHAIRMAN. Are you taking special acreage or the total average?

Mr. GARST. No, I mean we could probably give you the increase in each crop, if you want.

On corn, you see, there is not one-tenth of it due to fertilizer.

Senator THYE. What percent could be attributed to hybrid seeds?

Mr. GARST. About a 20 percent increase over what they had.

Senator THYE. Well, for the sake of the record, can we have the gentleman state his full name and whom he represents?

I think the record would be more intelligent to those who read it if that were done.

The CHAIRMAN. Yes.

Mr. GARST. My name is Jonathan Garst, and I work in the Department of Agriculture.

Senator THYE. Your background prior to coming to the Department of Agriculture?

Mr. GARST. Farmer, and I still am a farmer.

Senator THYE. In what part of the country?

Mr. GARST. California, although I originate from Iowa, which is not far from Minnesota.

method of calculation was this: It reminded me of something that happened in my own neighborhood about 30 years ago. We had a

The CHAIRMAN. Mr. Garst, what prompted my question as to your fellow who came out there to develop our marshland.

He came there during the dry season, and the marshland, of course, produced pretty well, because it was a dry season.

So his method of calculation was to take a little more or less high portion of land not far from the acreage he was going to sell, and he had four or five sweetpotato hills on that high land and he figured out how much each hill produced and then figured out how many hills an acre could produce, and I think he had it up to about a thousand bushels per acre.

Now, that was his method of figuring, or trying to, as to what this land would produce.

Mr. GARST. Well, I was not trying to sell fertilizer or I might have done something like that.

But the calculations are based upon an analysis of the experimental station records from all the States and they show about 1 pound of nitrogen for about 20 pounds of corn and they have the figures on all the other crops for the total and I thought this was your question as to total production at present, about 5 percent was calculated to be from fertilizer use.

The CHAIRMAN. Well, this 20 pounds of corn more per pound of nitrogen, is that figured from one station or is that an average of all the stations?

Mr. GARST. That is the average throughout the United States.

The CHAIRMAN. Then I presume you figure the number of pounds of nitrogen that are used for corn and make a multiplication accordingly, and you come to the conclusion that you just reached?

Mr. GARST. Of course, that has to be related to the balance.

Senator JOHNSTON. Is that on all crops or just one?

Mr. GARST. It varies.

On the corn increase there is not much fertilizer on corn, on cotton and on potatoes.

Senator JOHNSON. That is what I am going to bring up. You plant them, or if you were to plant them twice as close in a row, they would produce much more.

The CHAIRMAN. Well, we have set aside September 21 and 24 to go into fertilizers further, so we can go into more details at that time.

Now, Mr. Secretary, will you proceed?

Secretary BRANNAN. Yes, sir.

For such use as you care to make of it, there are three tables here which, in broad terms, set forth the sources of the nitrogen, the phosphate and the potash fertilizer supply in the United States. It might be helpful if you would care to have it in the record.

The CHAIRMAN. I notice that this is for the year 1950–51?

Secretary BRANNAN. That is right.

The CHAIRMAN. Without objection, it may be made part of the record.

(The document referred to above is as follows:)

1950–51 nitrogen—Fertilizer purposes, United States and possessions (trade delivery basis)

[In tons of 2,000 pounds nitrogen (N)]

Source	Ammonium nitrate [1]	Ammonium sulfate [2]	Other solids [3]	Natural organics [4]	Total dry nitrogen	Nitrogen solutions compound [5]	Ammonia for ammoniation [5]	Ammonia for direct application	Total net nitrogen	Grand total
United States production:										
Synthetic ammonia [6]	191,700	139,800	76,200	----------	407,700	321,300	46,800	104,900	472,700	880,400
Byproduct ammonia [7]	----------	174,400	----------	----------	174,400	----------	2,200	300	2,500	176,900
Natural organics	----------	----------	----------	40,500	40,500	----------	----------	----------	----------	40,500
Total	191,700	314,200	76,200	40,500	622,600	321,300	49,000	104,900	475,200	1,097,800
Exports [6]	----------	67,400	16,300	500	84,200	16,300	1,200	----------	17,500	101,700
Net domestic deliveries	191,700	246,800	59,900	40,000	538,400	305,000	47,800	104,900	457,700	996,100
Imports [6]	99,400	42,400	146,100	1,000	288,900	----------	----------	----------	----------	288,900
Total supply, United States and possessions	291,100	289,200	206,000	41,000	827,300	305,000	47,800	104,900	457,700	1,285,000

Principally to prevent disclosure of individual company operations the following groupings have been made:

[1] Includes ammonium nitrate f. g., ammonium nitrate-limestone mixtures and ammonium sulfate-nitrate.

[2] Includes estimated ammonium sulfate content of imported and exported mixed fertilizers.

[3] Includes ammonium phosphates, sodium nitrate, urea mixtures, calcium nitrate, cyanamid and nitraphosphates.

[4] Estimated nitrogen content of natural organics used in commercial fertilizers.

[5] Includes estimated nitrogen content derived from solutions and ammonia in exported ammoniated superphosphates and mixed fertilizers.

[6] Based upon special reports from industry components and Bureau of the Census data.

[7] Based upon reports of the Bureau of Mines and information from industry components.

1950–51 phosphates—Fertilizer purposes, United States and possessions (production and disposition basis) [1]

[In tons of 2,000 pounds available phosphoric oxide (P_2O_5) basis]

Source	Normal 20 percent [2]	Concentrated 45 percent [2]	Other phosphatic [4]	Total
United States plants: Production [5]	1,725,200	344,200	157,000	2,226,400
Disposition [5]	1,772,100	347,100	157,000	2,276,200
Export shipments [6]	60,500	16,400	[6] 6,300	83,200
Net from domestic sources	1,711,600	330,700	150,700	2,193,000
Imports [5]	900	34,100	[6] 7,000	42,000
Total supply, United States and possessions	1,712,500	364,800	157,700	[7] 2,235,000

[1] Includes intraplant transfers for mixing purposes.
[2] Includes phosphoric oxide equivalent in wet base goods.
[3] Includes ammonium phosphates.
[4] Includes estimated available phosphoric oxide in meta-phosphate, collodial and ground phosphate rock, defluorinated phosphates, basic slag, byproduct phosphates, and liquid phosphoric acid used as fertilizer.
[5] Based upon Bureau of the Census data.
[6] Chiefly available phosphoric oxide content of prepared fertilizer mixtures.
[7] An additional 360,000 tons of total phosphoric oxide estimated to have been supplied chiefly in form of colloidal and ground phosphate rock.

1950–51 potash—Fertilizer purposes, United States and possessions (trade delivery basis)

[In tons of 2,000 pounds potassium oxide (K_2O)]

Source	Muriate of potash, 60 and 50 percent grade	Sulfate of potash and sulfate of potash magnesia	Manure salts	Miscellaneous and byproduct materials [1]	Total
Deliveries from United States production [2]	1,175,400	96,600	5,700	31,000	1,308,700
Exports [2]	55,200	7,700	.....	3,900	66,800
Net supply, United States production	1,120,200	88,900	5,700	27,100	1,241,900
Imports [2]	171,200	26,900	.....	5,000	203,100
Total supply, United States and possessions	1,291,400	115,800	5,700	32,100	1,445,000

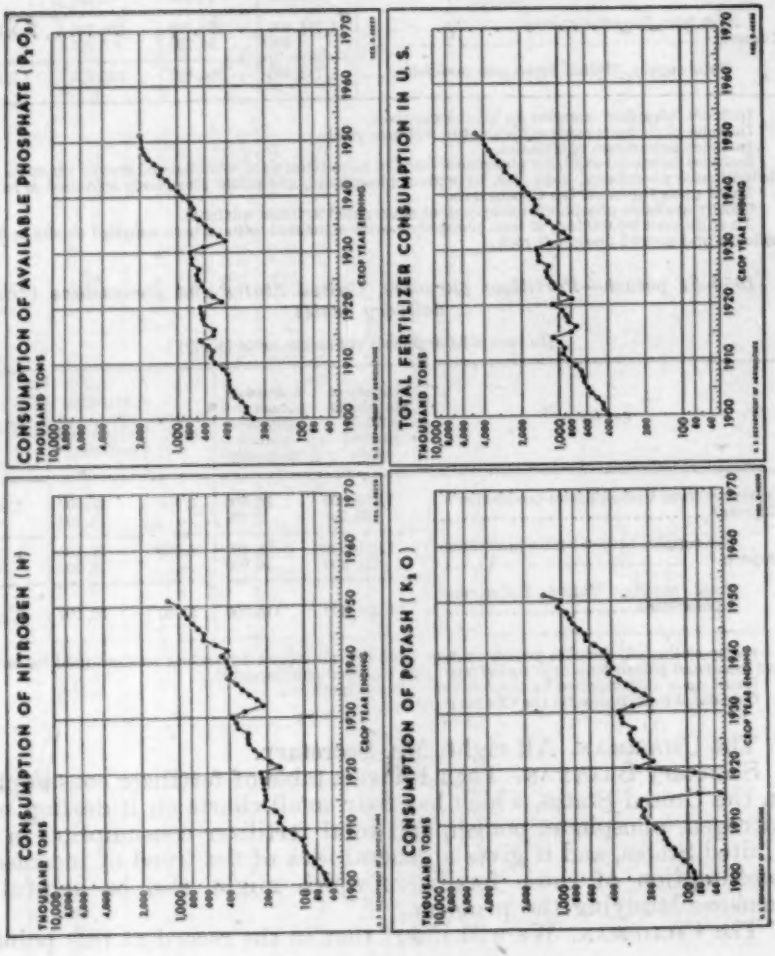
[1] Partly estimated; includes potash content of oilseed meals and byproduct residues used for fertilizer and calculated potash content of mixed fertilizers, exported and imported.
[2] Based upon data supplied by the American Potash Institute.
[3] Calculated from Bureau of the Census reports.

The CHAIRMAN. All right, Mr. Secretary.

Secretary BRANNAN. Then I have a table of fertilizer consumption in the United States, which has four small charts on it dealing with nitrogen, phosphate, potash, and total fertilizer consumption in the United States, and it gives a general idea of the trend of increase in consumption of those fertilizers which might also be helpful to someone studying the problem.

The CHAIRMAN. We will insert that in the record at this point.

(The document is as follows:)



The CHAIRMAN. You may proceed, Mr. Secretary.

Secretary BRANNAN. Now, Mr. Chairman, I have here on the easel to which you made reference, certain charts which are duplicated in a small brochure which is before each member of the committee.

It consists of a series of charts entitled "The Agricultural Production Job." It is certainly good material for the study of the committee, because the purpose of it, and the use we have made of it, has been to demonstrate to those who are concerned with agricultural production and with the necessary allocation, or rather the allocation of the necessary fertilizer for agricultural production, the basis for the needs of agriculture and the importance of agriculture in the total economy.

Senator JOHNSTON. Before we go further, looking at this fertilizer-consumption chart here, does it not also show that the economic condition of the farmers, every time there when there was a slump, the consumption goes down? Now, you will notice there right after 1920, you can see where you have a drop in all of them, and again along about 1930 there started a slump and it went down again to about 1933, in all of them.

That shows up in the chart on fertilizers the same as the economic conditions of the country, but that is why I asked the question.

Secretary BRANNAN. Yes, and I appreciate your specially commenting about that, and I think it is always a demonstration of the effectiveness of farm programs.

Senator JOHNSTON. There is no question about that.

Secretary BRANNAN. Because, with the advent of farm programs generally, the United States production has increased.

Now, I think that I should run through these just very briefly and just make one further comment, that they have been most beneficial in demonstrating to the defense production people the need for their giving very serious attention to the problems of agriculture.

The CHAIRMAN. Off the record.

(Discussion was continued off the record.)

The CHAIRMAN. Back on the record.

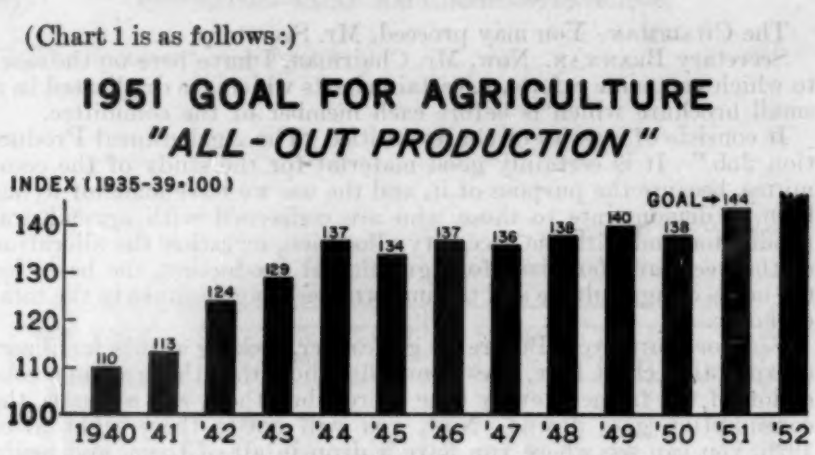
Without objection, each of these charts will be in the record, and, Mr. Secretary, may I suggest that as to each chart you may add whatever you desire in explanation of it, so that we can have the continuity in the record.

In other words, we can take each chart and have it reproduced, and then you explain it, and the questions that the committee may desire to ask you pertaining to that chart will be placed following its printing in the record until we come to the next chart, and we can do that until all of the charts are exhibited.

Secretary BRANNAN. Thank you.

Now, chart 1.

(Chart 1 is as follows:)



The SECRETARY. This is a very simple chart which demonstrates that the 1951 goal for agricultural production is higher than any production level we have ever achieved. It is 44 percent higher than the 1935–39 average production level and 4 percent above last year's production.

As a matter of fact, all that we have asked for may be achieved and that figure may be 145 when the final crop report for this year is in.

The goal was determined by the Department of Agriculture specialists after intensive study in civilian, military, and export requirements.

To meet all our needs for the products of the Nation's farms, and to maintain adequate reserves, it would be desirable to have an even higher goal.

But little additional acreage for expanding crop production across the country can be developed quickly.

Decreasing manpower on farms and limited supplies of raw materials for farm machinery, fertilizers, and pesticides are other restricting factors. So the 4-percent increase is a compromise between what is needed and what we believe can be achieved.

We are going to have to establish a similar goal for next year and we obviously will have to establish it somewhat higher than even for this year, and we will thereby put a greater burden on American farmers to produce.

The CHAIRMAN. Would you be able to tell us which commodity gave rise to the greatest increase? Would you say it was grains?

Secretary BRANNAN. I think it is the corn and grain products.

The CHAIRMAN. And that includes wheat.

Secretary BRANNAN. And corn is one of the chief ones.

The CHAIRMAN. Yes.

Secretary BRANNAN. Cotton this year is one of the very big ones. The long-term trend has been in the grains, however.

The CHAIRMAN. All right.
(Chart 2 is as follows:)

WHY "ALL-OUT PRODUCTION"?

To Meet Continuous and Expanding Need!

Remember—

1. Even partial military mobilization calls for a big increase in food needs.
2. Our population has increased by 20 million since 1940 (15 percent).
3. Civilian per capita food consumption is 13 percent above 1935–39 average.
4. Volume of agricultural exports up 50 percent over 1935–39 average.

These needs must be met by all-out production or reserves will go down and shortages develop.

Secretary BRANNAN. Now, instead of this being a chart, we just really pose the question here as to why we need all our production. Of course it is to meet the continuous and expanding needs of the country. Because even partial military mobilization calls for a big increase in food needs.

Our population has increased by 20,000,000 since 1940, or 15 percent.

The civilian per capita food consumption is 13 percent above the 1935–39 average.

The volume of agricultural exports is up 50 percent over the 1935–39 average.

These needs must be met by all-out production or reserves will go down and shortages develop.

We are enjoying a much better diet.

The CHAIRMAN. Well, as to this 13 percent increase civilian per capita on consumption, that of course has been due to better wages being received by our workers?

Secretary BRANNAN. Yes, increased purchasing power.

Now, going on——

Senator JOHNSTON. Just a minute. Is that 13 percent of the cost or 13 percent of the consumption?

Secretary BRANNAN. That is volume, a 13 percent increase in the volume of foods.

The CHAIRMAN. That is per person?

Secretary BRANNON. Yes, per capita; that is correct.

The CHAIRMAN. Thank you.

Secretary BRANNAN. We will now put in the next one.

(Chart 3 is as follows:)

EVEN WITH PARTIAL MOBILIZATION MILITARY FOOD (AND FIBER) NEEDS ARE GREATER

1. Military kitchens must be backed up with 7- to 9-month stocks—civilians only 7 to 9 days.
2. Men in uniform eat far more than civilians—for example, twice as much meat.
3. Right now—for 3½ million men—only 2⅛ percent of our population—military requires set-aside averaging over 9 percent of national pack of canned fruits and vegetables.
4. If more men are needed in uniform more food will be needed—out of reserves (or civilian supply).

Secretary BRANNON. Here are some obvious facts that a lot of people do not stop to think about.

Military food planning calls for a lot of food in the pipeline. Food, like ammunition, is indispensable to the man in uniform, and food reserves must be immediately available in all of the places trouble may strike.

There must be food ready for shipment, in transit on land and sea, and in storage in overseas supply depots.

In military maneuvers or in war there must be special allowance for loss.

One reason why men in uniform eat more than civilans is because of greater physical activity. Another is that the amount of food eaten by servicemen is not limited by the amount they can afford to buy.

Although "set aside" orders call for a military "take" of over 9 percent of the estimated canned fruit and vegetable pack, military needs are even greater. Some items are not included in the set-aside orders, but are purchased in the open market.

The CHAIRMAN. Well, that chart would indicate that food is more essential than ammunition, and things of that kind, because without food ammunition could not be produced, and without food you could not get good soldiers, is not that right?

Secretary BRANNAN. And you could not even get the munitions produced in the factories.

The CHAIRMAN. And with all of that you are having some difficulty to sell that idea to the NPA?

Secretary BRANNAN. Well, it looked as though we would.

The CHAIRMAN. Isn't that true?

Secretary BRANNAN. We did have for a while; yes, sir.

The CHAIRMAN. You are not having all you need now?

Secretary BRANNAN. Well, we think that we have made a lot of progress.

The CHAIRMAN. I do not doubt that, but my office gets quite a few requests for steel and other things which we are unable to furnish.

It is my hope that the NPA will give what I would term top priority to farm machinery and other items that are necessary to produce all of the necessary food.

Secretary BRANNAN. Mr. Chairman, may I just remind you that on some occasions someone asked Napoleon if he had the choice between food and guns which he would take first, and he said that he would take food first.

The CHAIRMAN. Well, Napoleon had a lot of sense.

Secretary BRANNAN. Because if they could eat they could find something to fight with.

The CHAIRMAN. That is right.

Senator JOHNSTON. You do not find armies fighting very hard, fast, or furious unless they have a full stomach.

Secretary BRANNAN. That is right. I would just like to point out one or two significant things that are indicated here.

The CHAIRMAN. Off the record.

(Discussion was continued off the record.)

The CHAIRMAN. All right, we can go ahead now.

Secretary BRANNAN. It takes from 7 to 9 months for stocks in order to back up a military kitchen anywhere in the world as compared with only about 7 to 9 days for a civilian kitchen.

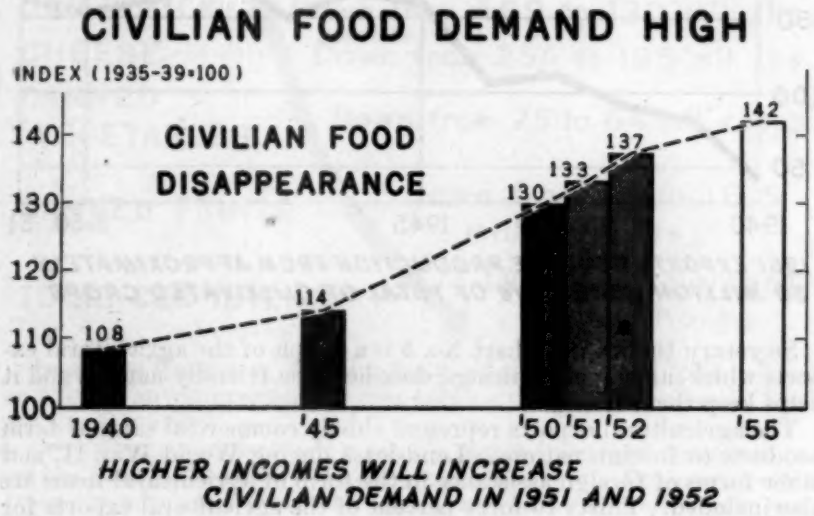
Our soldiers eat twice as much meat, for example, as civilians.

Right now there are probably 3½ million men in the Armed Forces and that is only about 2⅓ percent of our population, yet the military people are taking over 9 percent of the national pack of canned fruits and vegetables.

The differential has got to be made up by increased production.

We will now take up the next chart, which is a very simple chart, on the civilian food demand being high.

(Chart 4 is as follows:)



Secretary BRANNAN. Now this chart depicting increased civilian demand for food reflects both the increase in population in the United States and the increase in per capita food consumption, see chart 2. Together they show how much larger has become the farmer's task of feeding the population.

The future increases indicated are also based on expectation for continued growth in population and even higher per capita consumption through 1951 and 1952 with an estimated population increase of about 2 million each year, the United States population may reach 161,000,000 by 1955. This graph, however, does not take into account any possible rise in per capita food consumption levels after 1952.

Expanding purchasing power would make the line of civilian food disappearance rise even more sharply from 1952 to 1955.

Mobilization itself encourages rising per capita food consumption.

People have more money to spend and durable goods become less easy to buy. In 1946, for example, per capita food consumption rose to 19 percent above the 1935–39 average. It could again.

At the same time, mobilization makes abundant food supplies imperative.

A strong and healthy people are the first line of any defense effort.

We will now go to chart No. 5.

(Chart 5 is as follows:)

Secretary BRANNAN. Chart No. 5 is a graph of the agricultural exports which, among other things, does help the friendly nations and it helps keep them friendly.

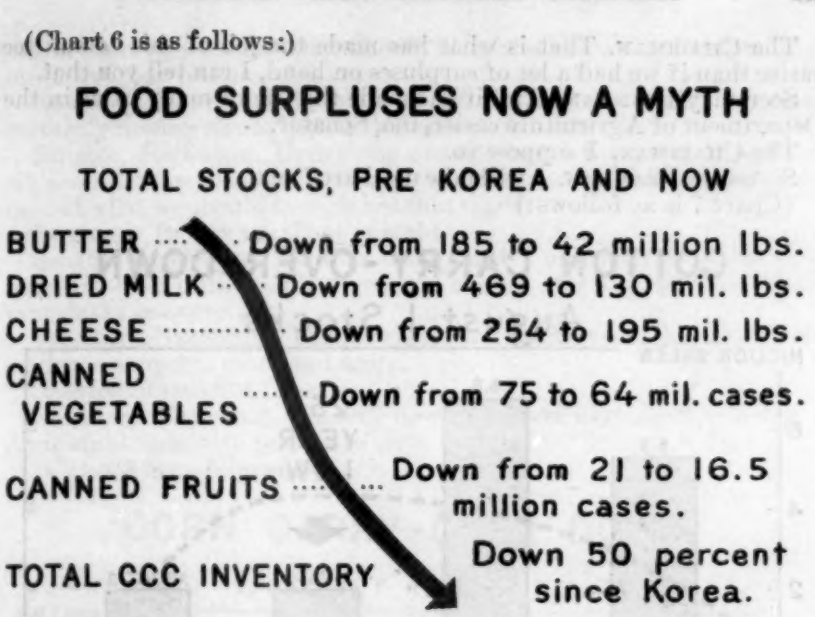
The agricultural exports represent chiefly commercial sales of farm products to foreign nations. Lend-lease during World War II, and other forms of foreign assistance in the form of agricultural items are also included. Thirty to forty percent of the agricultural exports for 1948–50 were financed through the Economic Cooperation Administration.

In this Nation's entire effort to stem aggression and help free the peoples of the world to work for prosperity and peace, food is an indispensable weapon. Food is a basic instrument in our foreign policy.

Food helps us to maintain friends. And it is an essential military supply as we link our defense efforts with other nations.

We will now turn to chart 6.

(Chart 6 is as follows:)


FOOD SURPLUSES NOW A MYTH
TOTAL STOCKS, PRE KOREA AND NOW
BUTTER
Down from 185 to 42 million lbs.
DRIED MILK
Down from 469 to 130 mil. lbs.
CHEESE
Down from 254 to 195 mil. lbs.
CANNED VEGETABLES
Down from 75 to 64 mil. cases.
CANNED FRUITS
Down from 21 to 16.5 million cases.
TOTAL CCC INVENTORY
Down 50 percent since Korea.

Secretary BRANNAN. I do not know whether I would have to touch on No. 6 to any appreciable degree, because the committee—well, I will say this about it:

Crop production is always a gamble and bad weather one season can cut big gaps in the supply of an essential food crop. Crop carry-overs from one year are a vital bulwark against crop failure the next year. They are the margin necessary to any good busy operation, the savings of wise men for a rainy day. In this period of international stress, it is more essential than ever to carry over good reserves of food each year. Food is basic to our defensive strength and it is military material.

Every since the North Korean forces crossed the thirty-eighth parallel in mid-1950, our comfortable reserves of food in this country have dwindled.

On this chart the stocks for the dairy products and canned fruits and vegetables shown include the total in cold storage and warehouses. Government-held reserves in possession of the Commodity Credit Corporation are included in these totals.

Military food reserves are not included.

The 50 percent decrease in the Commodity Credit Corporation inventory is an across-the-board figure for all foods and fibers held by the Government. All Government-held food is only a portion of the Nation's total reserves, the Commodity Credit Corporation decline indicates the downward trend.

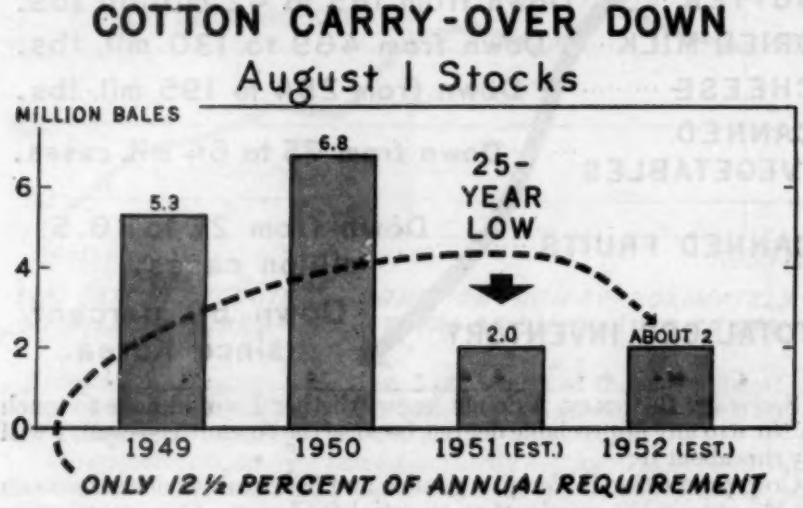
The CHAIRMAN. That is what has made the job of this committee easier than if we had a lot of surpluses on hand, I can tell you that.

Secretary BRANNAN. And it has made the life of many of us in the Department of Agriculture easier, too, Senator.

The CHAIRMAN. I suppose so.

Secretary BRANNAN. I will take up chart 7 next.

(Chart 7 is as follows:)



Secretary BRANNAN. Here is a short table on the cotton carry-over.

The stepped-up defense activities at home and abroad have boosted world demand for United States cotton. With a carry-over of about 2 million bales this year, and prospects for little, if any, increase next year, the United States is operating with cotton reserves that would last less than 8 weeks under current domestic and export requirements.

If foreign demand for United States cotton were met fully, our reserves would be reduced even further. But during the past year, it has been necessary for us to control exports to conserve supplies and to channel cotton to friendly nations.

Now, for 1952 I would say that the carry-over would be "about 3" in place of "about 2."

The CHAIRMAN. Well, that amount is much smaller than the usual amount of carry-over?

Secretary BRANNAN. It is, Senator. As a matter of fact, you would have to go back to 1925 in order to find a period of time when our cotton carry-over was as low as it was last year.

The CHAIRMAN. The normal carry-over is anywhere from 4½ to 5 million bales?

Secretary BRANNAN. That is right.

The CHAIRMAN. And the possible effect, either with our large 17 million bale crop, the carry-over for next year would be around 3 million bales you said?

Secretary BRANNAN. That is right.

The CHAIRMAN. And therefore it strikes me that if the farmers should market their crops, that they should not try to put it on the

market too fast so that they should obtain a fair price for this huge crop that they produce this year.

Secretary BRANNAN. That is our firm belief, Senator, and we are certainly hoping strongly that that will prove out.

Senator JOHNSTON. Under the conditions of the country, even if we should have that much of a carry-over, that would only be about half of what we should have, is not that true?

Secretary BRANNAN. That is right.

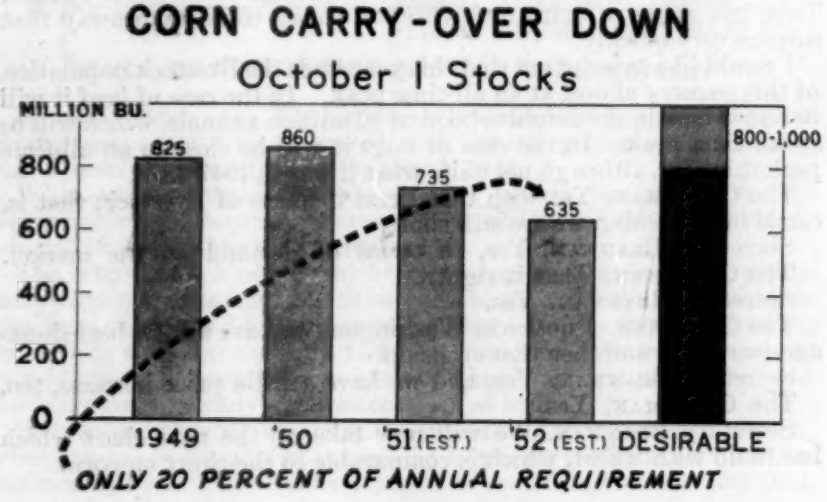
Senator JOHNSTON. Another thing, that 3 million you spoke of, it may not be 3 million if our exports should speed up a little, which everybody is expecting.

Secretary BRANNAN. That is right, and which from day to day the evidence supports more and more.

Senator JOHNSTON. Yes.

Secretary BRANNAN. We will now go to our next chart which is a comparable one with respect to corn.

(Chart 8 is as follows:)



Secretary BRANNAN. Corn is the key product for defense, because livestock production is so highly dependent upon corn, and therefore it is especially important to carry over ample corn reserves.

Weather and other factors have recently made our total corn crop vary as much as one billion bushels from one year to another.

Meanwhile current consumption of corn is high. At the present rate we are using corn, for example, the entire 1947 corn crop would have failed by a billion bushels to meet this year's needs. The probable carry-over this year will be only about one-fifth of 1951–52 requirements.

In this defense era we are on thin ice unless we are carrying over corn reserves of 800 million to 1 billion bushels.

How fast corn reserves can disappear is indicated by what happened during World War II.

On October 1, 1941, the corn carry-over was 644 million bushels.

In 1946 it had declined to just 173 million bushels.

The influence of corn on meat prices cannot be overlooked. A desirable carry-over of corn, giving some assurance of adequate and reasonable livestock feed to producers who must plan their operations in advance, will do much to stabilize the price of meat.

I might go on further and say that the chart is obvious, but I might say that the 635 figure for 1952 is now down to 500 million bushels. That, on the basis of our most recent crop reports shows that the disappearance of corn has actually exceeded our views at the time we made that chart.

The CHAIRMAN. What is the normal carry-over for corn?

Secretary BRANNAN. Senator, I do not know as we—well, we set that as a desirable figure. Normal carry-overs have been very low, 300 or 400 million bushels, and we have, with the storage program, been attempting to make it up to a billion bushels.

The CHAIRMAN. You do not think that a billion bushels would be an excessive carry-over?

Secretary BRANNAN. Not if it is properly stored and taken care of, because the drought and potential weather difficulties that Senator Thye has made so many references to today could take away that surplus very quickly.

I would like to point out that this year finds the livestock population of this country almost at an all-time peak. In the case of beef it will be somewhere in the neighborhood of 90 million animals, which will be an all-time peak. In the case of hogs it will be close to an all-time peak this year, although not quite what it was in 1947-48.

The CHAIRMAN. Yet with that great increase of livestock, that is, cattle in particular, we are still short.

Secretary BRANNAN. Yes, in terms of demand on the market.

The CHAIRMAN. That is right.

Secretary BRANNAN. Yes.

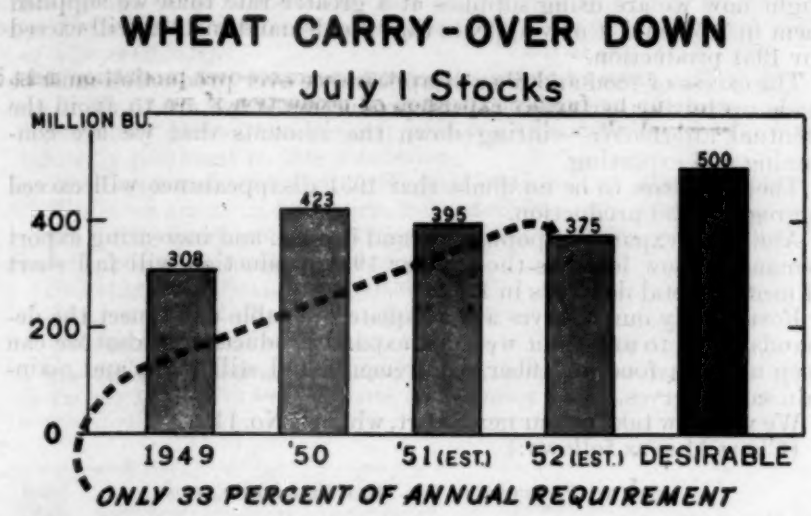
The CHAIRMAN. I notice in Washington we have a little beef shortage every now and then that crops up.

Secretary BRANNAN. Yes, and we have a little price increase, too.

The CHAIRMAN. Yes.

Secretary BRANNAN. We will now take up the next chart which has to do with wheat, which is comparable to the chart on corn.

(Chart 9 is as follows:)



Secretary BRANNAN. The Nation's wheat carry-over during the past several years might be compared with the carry-over of 630,000,000 bushels early in World War II—July 1, 1942.

What war and the immediate postwar period demand did to our wheat reserve is shown, however, in the carry-over on July 1, 1947, which had declined to 83,000,000 bushels.

The 500,000,000 bushels which would comprise a desirable wheat carry-over under current conditions would provide wheat for various pipelines on its way to sources of consumption—in transit, at mills, emergency stocks in case of a bad crop year, for abnormal exports in case of famine or crop failures in other wheat-exporting countries, and for abnormal demands for livestock feed at home.

Senator JOHNSTON. You have the same thing that you have in corn, when you say in wheat that you need a large carry-over to care for the increased population, or some drought or something of that sort that may occur?

Secretary BRANNAN. Senator, that is right.

Senator JOHNSTON. Even if you would go to 600?

Secretary BRANNAN. For exporting and domestic consumption, feed and seed.

I would like to point out in this chart that the figure of 375 for 1952 would be 335. We have had a greater disappearance of wheat, and the supply in this year's crop is below a billion for the first time in 6 years.

The CHAIRMAN. Yes.

Secretary BRANNAN. We will now take up the next chart.

(Chart 10 is as follows:)

WE'RE LOSING GROUND

Right now we're consuming at a greater rate than we produced in 1950.
It now appears that demands in 1952 will exceed our 1951 production.
To win the production battle we need every ounce of production we can squeeze out.

Secretary BRANNAN. Now, this chart says that we are losing ground. Right now we are using supplies at a greater rate than we supplied them in 1950, and it now appears that the demand in 1952 will exceed our 1951 production.

The excess of food and fiber disappearance over production must be made up by further expansion of production if we are to avoid the eventual alternative—cutting down the amounts that we are consuming and exporting.

There appears to be no doubt that 1951 disappearance will exceed aggregate 1950 production.

And, with expanding population and income, and increasing export demand, it now looks as though our 1951 production will fall short of meeting total demands in 1952.

Fortunately our reserves are adequate to enable us to meet the demands likely to arise, but we must expand production so that we can keep up with food and fiber requirements and still reach and maintain safe reserves.

We will now take up our next chart, which is No. 11.

(Chart 11 is as follows:)

ALL-OUT PRODUCTION WILL HELP FIGHT INFLATION

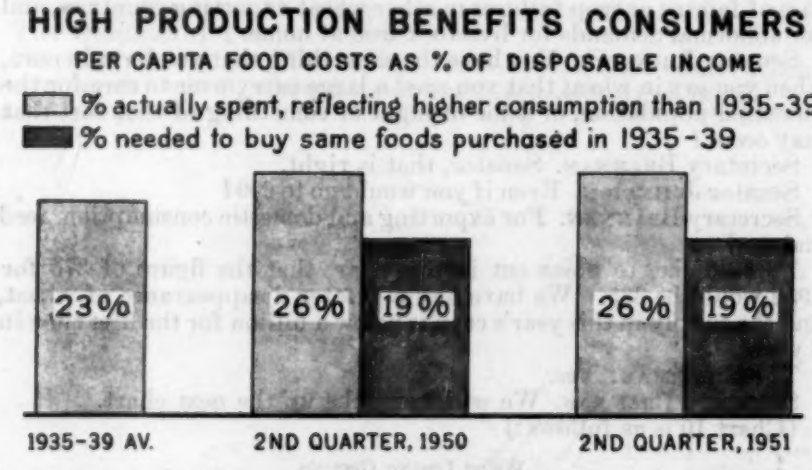
CONSUMER SPENDING CONTINUES AT HIGH LEVEL—DEFENSE EXPENDITURES STILL INCREASING

High level production is the greatest contribution our food plant can make to price stability.

Secretary BRANNAN. Chart No. 11 is another obvious statement that high-level production is the greatest contribution our food plant can make to price stability. I do not think that I need say anything further about that.

We will now take up No. 12.

(Chart 12 is as follows:)



Secretary BRANNAN. Here is a very brief demonstration—now, I notice that there is one there that is hanging on the board that is not in the brochure, and it is just a comparison of the purchasing power of 1 hour of labor.

The CHAIRMAN. Can you send us a replica of this chart for the record?

Secretary BRANNAN. We can send you that, yes; but it is not particularly pertinent to this discussion.

The CHAIRMAN. All right. We will leave it out. You may proceed.

While we are at it, I wonder, instead of having a chart, if we could get a little statement reflecting what the facts are with respect to this chart and put that in the record.

Secretary BRANNAN. Yes, sir, we could.

The CHAIRMAN. And put it in the proper place.

(The information referred to above is as follows:)

The chart referred to at this point entitled "Quantities of Foods 1 Hour of Factory Labor Will Buy" contains the following facts:

		1929	1951
Bread	loaves	6.4	10.0
Steak	pounds	1.2	1.5
Milk	pints	7.8	13.8
Bacon	pounds	1.3	2.3
Eggs	dozen	1.1	2.5
Potatoes	pounds	17.7	36.3
Oranges	dozen	1.3	3.2

Secretary BRANNAN. Yes. Now, No. 12 reflects the high production benefits that consumers receive.

High-level food production, together with reserve supplies, have helped keep food prices in line with other prices in a period when demand has increased rapidly. The relationship between food costs and disposable income—income after taxes—is more favorable to consumers than before World War II, as shown by this chart.

For the same kinds and quantities of food consumers are now spending a smaller percent of their income after taxes than before the war. The kind of diets which took 23 percent of their income on the average from 1935–39 would now take only 19 percent.

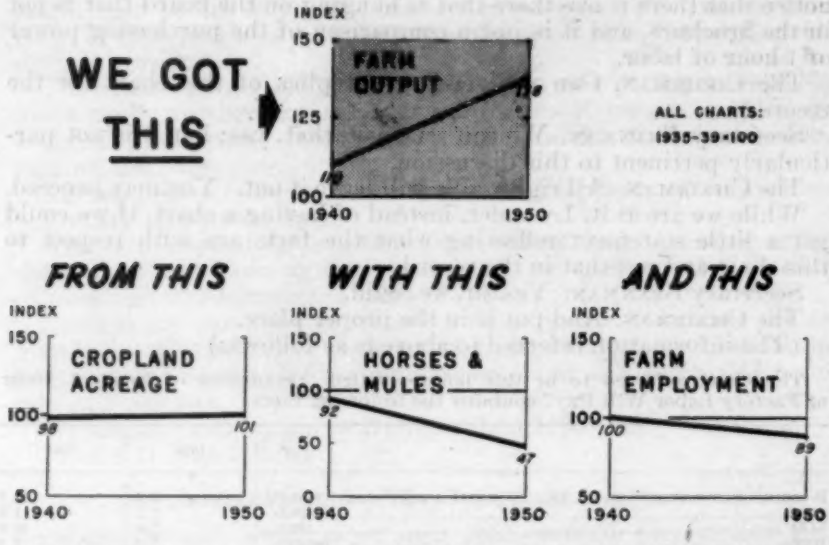
The chart also shows that consumers are actually spending for food a larger percentage of their income after taxes than before the war—26 percent now compared with 23 percent before. But this larger spending is buying more and better food. The balance favors the consumer both before and after the Korean war.

Note that there is no change in the portion of income spent for food since the Far Eastern conflict began. The pre-World War II diet also takes the same percentage of income before and after Korea.

This country has worked hard to make better diets possible for everyone. To improve or even hold the results attained so far the Nation must continue to produce abundant food supplies. Rising food requirements call for expanding food production.

We will now take up chart No. 13.

(Chart 13 is as follows:)



Secretary BRANNAN. This is a little more complicated chart, gentlemen, but I think it is quite a significant one, and one which is of much interest to the farm people.

The rising level of farm output shown here contrasts strikingly with a negligible increase in cropland acreage and a distinctly declining level of animal power and farm workers. If the line on acreage were to be projected into the future, it would extend in nearly level direction, for the development of new cropland is a slow process and no significant increase is in prospect for the immediate future.

The number of horses and mules on farms will continue to go down but the number now left is small. It should be noted that the climbing feed requirements for horses and mules has diverted feed to other livestock, making possible increased egg, milk, and meat production. Further increases resulting from further declines in animal power cannot be expected to be large. In the case of farm manpower, further reduction is likely in the face of attractive industrial job opportunities and rising wage rates.

But this chart shows only part of the farm production story. Some of the major ways we have achieved this rising farm output are explained on chart 14.

The CHAIRMAN. I notice that under "Horses and mules," you have the 100 percent mark, and in what period of time have they decreased to 47 percent?

Secretary BRANNAN. All of the charts are on the basis of 1935–39 equals 100, so that 100 was 1935–39 and in 1940 it was 92 percent of 1935–39.

The CHAIRMAN. I see. 1950 was 47 percent?

Secretary BRANNAN. Of 1935–39.

The CHAIRMAN. And the same thing holds true about farm employment?

Secretary BRANNAN. That is right.

The CHAIRMAN. Do you have the number there instead of percentagewise?

What is the farm population at present?

Secretary BRANNAN. Well, it is about——

The CHAIRMAN. Is it 30 percent?

Secretary BRANNAN. Only about 19 percent of our population.

Mr. STAMBAUGH. It is 13 percent of the working force, of 62,000,000 people. It is shrinking rapidly, due to shifting to factories at this time.

The CHAIRMAN. I think it is most important to have that more in detail in this record at this time, and I wonder if you would not be good enough to amplify it and go back as far as you can to show what the population was years ago and what it is now.

Secretary BRANNAN. All right, sir.

The CHAIRMAN. I ask this because I have made the statement many times that 85 percent of our people one century ago lived on the farm, and more or less grew their own living, and today, 100 years later, just the reverse is true—that you have only about 15 percent on the farms producing for the other 85 percent.

Mr. STAMBAUGH. The lowest of any place in the world.

The CHAIRMAN. Well, if you could supply that in a little more detail, Mr. Secretary, I wish you would get somebody to let us have it as soon as possible so we could put it in the record in connection with this.

Secretary BRANNAN. That will be done.

(The information referred to above is as follows:)

MEMORANDUM ON FARM POPULATION

Farm population totaled 24,335,000 as of April 1950, or 16 percent of the population. Farm population records go back as far as 1910 and in that year, 32,077,000 persons were living on farms. Departmental estimates place the farm population in 1850 at approximately 70 percent of the total population.

Senator JOHNSON. The same thing is true with horses and mules and I think that we should stress that point, showing how the horses and mules have decreased since 1940, and naturally that is due to going to machinery, and that is the thing that we are interested in right now, to keep them from taking away the people that make the machinery, the steel, iron, and things that go into it.

(The information referred to above is as follows:)

The data requested are given in the following tabulation together with the number of tractors on farms and the number of horses and mules on farms, as estimated by our Bureau of Agricultural Economics:

[Thousands]

Year	Farm population	Tractors	Horses and mules
1910	32,077	1	24,211
1920	31,559	246	25,742
1930	29,450	920	19,124
1940	29,047	1,545	14,478
1950	24,335	3,825	7,423
1951		4,100	6,753

The CHAIRMAN. There is something else that we must consider with respect to machinery—farm machinery—and that is that having a farm more or less highly mechanized, the importance of getting fuel to operate those machines. Just imagine if something were to happen to cut off the power or the fuel supply of these farms, then what would happen to the production?

Secretary BRANNAN. That is one of the reasons why a European farmer has been so slow to mechanize, because his fuel sources are much more precarious than they are in the United States.

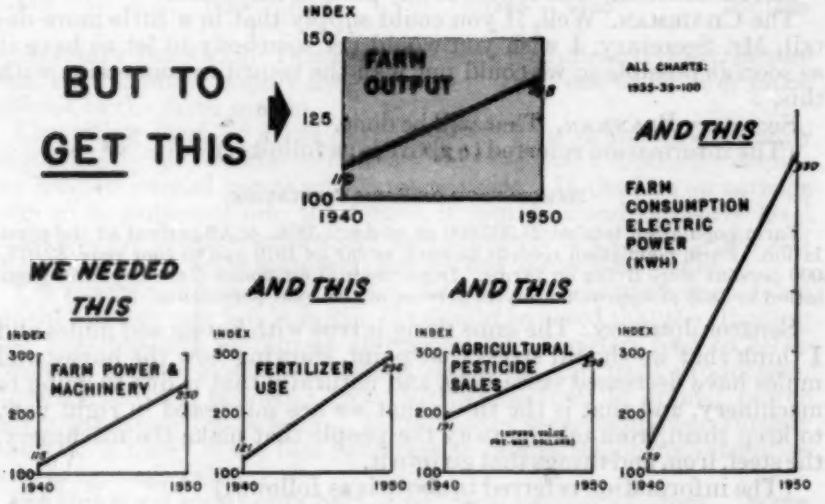
The CHAIRMAN. Has the Department interested itself in a study to provide ways and means of taking care of this situation in this atomic age that we are living in now?

Secretary BRANNAN. Senator, I do not think that I could say we have made any special study on that. We have gone on the assumption that if fuel becomes short, there will be preferential uses for it as there were in World War II, and that the farmer will get the preferential supply and have a preferential claim on the supply.

The CHAIRMAN. Very well.

Secretary BRANNAN. We will take up the next chart.

(Chart 14 is as follows:)



Secretary BRANNAN. This really is the other side of the same chart, showing what has been put into the increased production job.

In addition to improved cultural practices, better crop varieties and livestock breeds, agriculture's achievements in the past decade have been highly dependent on four principal factors: mechanized equipment together with the fuel to power it, increased use of fertilizer, more pesticides, and electrification.

These factors are largely responsible for moving the farm output line upward.

On these four contributors to agricultural progress the farmer must continue to rely heavily. With population increases alone—2,000,000

more to feed each year—the line on the farm output chart simply must continue mounting. An ascending line for farm production in the years to come, however, manifestly depends on greater mechanization and electrification, even more use of fertilizer and pesticides, and continued improvement of livestock breeds and crop varieties.

Again, this chart is based on 1935–39, and in 1940 our output was 110 percent of the 1935–39 average, and it is now 138 percent of the 1935–39 average in 1950.

Farm machinery use has increased from 115 percent of the base to 250 percent of the base. Fertilizer has increased from 121 percent of the base to 296 percent of the base. Insecticide has increased from 119 percent of the base to 298 percent of the base. Electric power consumption on farms has increased from 139 percent of the base to 630 percent.

We will take up our next chart.

(Chart 15 is as follows:)

THE ORDER IS IN—FOR ALL-OUT PRODUCTION

To feed our Armed Forces.
To feed civilians.
To feed friendly nations.
To build safe reserves.
As a weapon against inflation.

BUT

"Lead-time" for agriculture is a full crop year or more.
We can't turn food production on and off at will.
Adequate materials and facilities must be scheduled.

Secretary BRANNAN. This is something of a summarization, but I would just like to give you a quotation from Mr. Charles Wilson with respect to the all-out production, and he says:

> Knowing that the United States may have to join in the defense of other free countries at any time along the borders of the Soviet Empire, we have adopted a long-term program of building and maintaining strength. This program must and will continue whether or not fighting stops in Korea. Whether the men of the United Nations are engaged in combat or are standing on a truce line makes no fundamental change in the need for building strength for the defense of freedom throughout the world.

That was dated July 1, 1951, and it was taken from the second quarterly report to the President.

Farmers have been urged to produce at a record rate in 1951 and are responding to the best of their ability. In keeping with continued building and maintenance of our strength as called for by the Defense Mobilizer, plans are going forward to obtain from farmers another all-out production effort in 1952.

In agriculture, we cannot wait until immediate need faces us before placing our production order. Lead time, the industrial terms for the period between placing an order and delivering the goods, is a full crop year. And in some cases, such as livestock production, lead time in even longer. That is why we placed our 1951 production order early. It is why we are again contemplating a large order for 1952, to be placed at the earliest possible date.

We will now take up No. 16.

(Chart 16 is as follows:)

TO GET "ALL-OUT PRODUCTION"

There is need for—

1. Fertilizer, pesticides, and machinery to produce and harvest growing crops.
2. More electric power for farmers to save labor and increase farm efficiency.
3. Processing machinery to turn these crops into marketable products.
4. Containers essential to preservation, storage, and marketing of these products.
5. Facilities to maintain efficient distribution.

Secretary BRANNAN. Now, here is a chart that I think is interesting. To put the needed food on America's table and channel other farm products where they can be used calls, first of all, for bigger crop harvest and more livestock on our farms. The products of industry—fertilizer, pesticides, electric power, and mechanical equipment—are the chief means left to the farmer today to do this job. But we cannot stop with the products on the farm.

Food and fiber must be readied for the consumer in a thousand ways, before it is ready to eat, ready to wear, or ready for industrial uses. It takes machinery—another product of industry—to do the processing job.

Food cannot stop at the processor's either. Food is one of the most perishable of all consumers' goods. On its way to the family kitchen, many kinds of food must be handled in containers—still another industrial product.

In this Nation of vast distances and dispersed population, one of the biggest tasks is storing, transporting, distributing, and marketing agriculture's products. From farm to household, a multitude of facilities are required to support these activities—facilities that must be supplied by American industry.

No. 17 again is a statement rather than a chart so we will go to No. 18.

(Chart 18 is as follows:)

THE FERTILIZER STORY

1. It would take 100,000 tons of steel over a 2-year period to add 500,000 tons to our annual nitrogen fertilizer supply.
2. This is only one-sixteenth of 1 percent of a 2-year steel output.
3. This additional nitrogen will give us the equivalent of 5 to 8 million acres of good farm land, which would mean—
   350 million bushels (or 10 percent) more corn, or
   2.2 million tons of hogs, live weight, or
   1.3 million tons of beef, live weight.

And we can't stop there—we must add at least 100,000 tons of nitrogen capacity each year to meet our expanding needs.

Secretary BRANNAN. We have testified here about additional plant capacity to produce 500,000 tons of nitrogen fertilizer.

It would take about 100,000 tons of steel over a 2-year period to add 500,000 tons to our annual nitrogen fertilizer supply. This is only one-sixteenth of 1 percent of a 2-year steel output.

This additional nitrogen will give us the equivalent of 5 to 8 million acres of good farm land which would mean: 350,000,000 bushels, or 10 percent more corn; or 2.2 million tons of hogs, live weight; or 1.3 million tons of beef, live weight.

And we cannot stop there. We must add at least 100,000 tons of nitrogen capacity each year to meet our expanding needs. In other

words, 2 years from now we should have 700,000 tons more nitrogen for fertilizer than we now have.

Now, as to this 100,000 tons of steel over a period of the next 2 years, that quantity of steel, while sounding large when you say 100,000 tons, in terms of our output, not of our projected output but our output, now is only one-sixteenth of 1 percent.

In short, the farmer is not drawing on the balance of the economy, is not leaning on them heavily for the Nation's need. He is a very minimum claimant, and of course, we must add each year.

We will now take up the next two charts, Nos. 19 and 20.

(Charts 19 and 20 are as follows:)

It is obvious that defense mobilization and the American economy depend on American agriculture.

It is also obvious that American agriculture depends on American industry to help do the agricultural production job.

Secretary BRANNAN. The last two are just simply statements of fact which we think the balance of charts demonstrate beyond a shadow of doubt.

The CHAIRMAN. Do you have anything further, Mr. Secretary?

Secretary BRANNAN. We have nothing further.

The CHAIRMAN. Well, we are greatly indebted to you for this fine exposé, and we hope that the rest of the picture will be given to us by the fertilizer people and the farm-machinery people and other officials connected with the Department.

Do you have any further questions, Senator Johnston?

Senator JOHNSTON. None.

The CHAIRMAN. If not, the committee will stand in recess until tomorrow at 10 a. m., at which time we expect to hear from Mr. J. P. Margeson, executive vice president, Interntaional Mineral & Chemical Corp., Chicago, Ill.; Kenneth A. Spencer, Spencer Chemical Co., Kansas City, Mo.; Dr. George Scarseth, director of research, American Farm Research Association; George S. Peer, secretary, National Committee for Farm Production Supplies, and director, farm supply services, National Council of Farmer Cooperatives, Washington, D. C.; Frank Calvin, assistant manager, Farmers Union Central Exchange, St. Paul, Minn., and Delos L. James, acting legislative counsel, National Grange, Washington, D. C.

Again, I wish to thank you, Mr. Secretary, for your fine presentation.

Secretary BRANNAN. You are perfectly welcome, Mr. Chairman.

(Whereupon, at 12:40 p. m., a recess was taken until 10 a. m., Friday, September 21, 1951.)

FERTILIZER—FARM MACHINERY—PESTICIDES

FRIDAY, SEPTEMBER 21, 1951

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment at 10 a. m., in room 324 Senate Office Building, Senator Allen J. Ellender (chairman) presiding.

Present: Senators Ellender, Johnston, Eastland, Aiken, Thye, and Kem.

Also present: Senator Frank Carlson.

The CHAIRMAN. We will come to order.

As I indicated yesterday, we will take up this morning the question of fertilizers. Our first witness is Mr. J. P. Margeson, executive vice president of the International Minerals & Chemical Corp., Chicago, Ill.

Before proceeding I desire to place in the record at this point at the suggestion of Senator Eastland, from Mississippi, who is present, a letter addressed to the committee from the Mississippi Valley Superphosphate Co., Greenville, Miss., dated September 17, 1951.

(The letter referred to follows:)

GREENVILLE, MISS., *September 17, 1951.*

The SENATE COMMITTEE ON AGRICULTURE AND FORESTRY,
United States Senate, Washington, D. C.

GENTLEMEN: We submit herewith for your serious consideration the problems confronting our company in supplying the fertilizer needs for the areas in which we serve; namely, Mississippi, part of Arkansas, and part of Louisiana. We request your aid specifically in alleviating the supply of sulfuric acid by requesting National Production Authority to authorize producers of acid to ship our company in order that our company may continue to exist and to supply its former customers, including PMA its rightful share of mixed fertilizers and superphosphates so necessary to production of food and fibers. As an illustration of this company's record, we submit the following facts:

1. Company organized 1947, began production 1948.
2. Season 1948–49 company purchased 11,500 tons virgin acid.
3. Season 1949–50 company purchased 9,500 tons virgin acid.
4. Principal stockholder died in 1948, which resulted in a curtailment of operations and caused a trusteeship to be set up to administer the affairs of stockholders of the estate.
5. The company's trustees attempted to liquidate assets and this writer agreed to lease and purchase the entire property in June 1951 with the principles based on all rights of former purchases, contracts being allocated to the new stockholder.
6. Assessed valuation of real property by a well-known firm stated through its engineers by inspection and written authority the replacement value of this fertilizer plant to be $491,000.
7. Plant has been idle since July 1950 due to sulfuric acid shortage.

8. Producers of nitrogen have allocated materials, as well as potash producers, to this company and are shipping to date and this material is being stored awaiting the most important ingredient, superphosphate, which is dependent on acid.

9. Phosphate rock producers have entered into contract to supply phosphate.

10. Acid producers have failed to allocate any acid whatsoever and as a result of their lack of cooperation or desire to do business with this firm, the operation is nil. The company has operated at a loss for 1 year and 5 months.

11. The company is indebted to the RFC in the amount of $100,000; however, $25,000 has been paid recently in order that default in payment not be incurred, but the company's finances are continually being drained to a point that it will be impossible to continue existence without relief and sulfuric acid is the only alleviating factor confronting the successful operation of this enterprise and also supplying the needs of its customers based on their previous purchases since the company's beginning.

The acid producers knew of this company's intentions to liquidate and in order to clear up an estate failed to continue serving in such a predicament; however, record verifies the company's intentions and have requested producers of acid to continue as in the past without success. This plant is capable of producing a minimum of 60,000 tons per year to a maximum of 100,000 tons per year plus a manufacturing plant capable of producing 40,000 tons of mixed fertilizers per year. The Department of Agriculture recognizes the problems confronting this company and advised us to request NPA's help. To date, no relief.

We request immediate allocation of all acid in the United States in order that every section business firm producing fertilizer by treated fairly and each consumer allowed to purchase their normal needs in an area in which they have been buying and no advantageous freightwise redounding to the cheapest fertilizer dollar to produce their crops of food and fibers and will not be forced to purchase these fertilizers outside their normal channels at a much higher price from a firm who has plenty of acid. Sworn statements on all facts pertaining to this company can be supplied on immediate notice and insist on immediate relief in order that this season's crops in this section be supplied the minerals that they are using now for the pasture crops.

Thanking you for your consideration, we respectfully submit the above statement as a request for directive in order that our company may be kept out of bankruptcy and we may rightfully supply the tonnage normally manufactured.

Respectfully,

MISSISSIPPI VALLEY SUPERPHOSPHATE CO.,
By KINCHEN O'KEEFE.

The CHAIRMAN. All right, Mr. Magnuson. I notice you have a prepared statement.

Mr. MARGESON. Yes; I will read it if you wish.

The CHAIRMAN. Do you wish to read it without interruption?

Mr. MARGESON. Yes, if I may; and then have questions, if that suits you.

The CHAIRMAN. You may proceed in your own way.

STATEMENT OF J. P. MARGESON, JR., EXECUTIVE VICE PRESIDENT, INTERNATIONAL MINERALS & CHEMICAL CORP., CHICAGO, ILL.

Mr. MARGESON. Mr. Chairman and members of the committee, my name has already been given and my connection with International Minerals & Chemical Corp.

I have been asked by this committee to present some of the problems which our industry faces. Since the Secretary of Agriculture and his staff have already given this committee such an excellent background for my discussion, it is not necessary for me to present information to you on the importance of commercial fertilizer to our national economy. However, I should like to emphasize these important facts:

1. According to United States Department of Agriculture estimates, at least 25 percent of America's food production is due to the use of commercial fertilizers. This has been an outstanding contribution to a higher standard of living.

2. Fertilizers enable the farmer to produce more per acre with less labor. Without commercial fertilizers an estimated 50,000,000 more acres of land of average fertility and 1,500,000 additional farm workers would be required to grow our present crops. Total farm employment has decreased from 11,700,000 in 1940 to 10,800,000 in 1949, while farm production has increased 27 percent.

3. One ton of mixed fertilizers of average analysis produces the following increased yields: 1,000 pounds of beef or 8,000 pounds of milk or 85 bushels of wheat or 125 bushels of corn or 2 bales of cotton.

What other means do we have at our disposal to produce food so cheaply and so efficiently as through the proper use of commercial fertilizers? If agricultural production goals are to be met as a part of our defense program, farmers must be supplied with adequate amounts of fertilizer, and to produce these the industry must receive its share of critical materials.

The growth of our industry has been remarkable. Since 1940 fertilizer usage has increased from about 8,000,000 to more than 18,000,000 short tons annually. Not only has the quantity of fertilizer been increased, but also its quality has been greatly improved during this period. Today mixed fertilizer contains an average of 17 percent more actual plant food per ton than it did 10 years ago. Therefore, the actual total plant food increase during that period has been about 250 percent.

Even before the Korean outbreak, the fertilizer industry had set its goals to produce enough fertilizer to meet any reasonable increase in demand. Despite shortages of critical materials, there will be available for American agriculture about 5 percent more nitrogen mostly in the liquid form and 10 percent more potash for the 1951–52 crop period than for the 1950–51 crop season. Both nitrogen and potash output are below the estimated 15 percent increase in demand. Therefore, there will undoubtedly be some shortage of these materials.

Although most fertilizer materials are in short supply, I should like to direct your attention primarily to the sulfur and sulfuric acid shortage. Perhaps this is the most immediate problem our entire industry faces today.

The industry's facilities are built to use sulfuric acid in treating phosphate rock to produce superphosphate. This material represents over 50 percent of the total tonnage of fertilizers. Sulfuric acid is also used in making ammonium sulfate. With an increased usage of sulfuric acid in other industries, coupled with a basic shortage of sulfur, superphosphate and ammonium sulfate production are seriously curtailed.

The fertilizer industry last year used about 22 percent of the sulfur and 35 percent of the total sulfuric acid consumed in the United States.

I would like to show these charts to you quickly to give general impressions of the situation. This represents the United States consumption of fertilizers compared with total sulfur consumption, not the sulfur consumption in the fertilizer industry alone. The main

reason for showing this chart is to show the rate at which fertilizer consumption has been accelerating and how last year it exceeded the previous year and this next year would exceed this year and so on.

This chart indicates the distribution of United States sulfur production from 1940 to 1950. The grand total, the top curve, is the total United States supply of sulfur and the subunits are as follows:

The orange is the amount exported, the green is the amount used in fertilizers, and the yellow is the balance of the sulfur users.

The CHAIRMAN. Will you give that in amount of tons?

Mr. MARGESON. May I just point out that this is usage, not production, and the actual production as indicated by this red line in 1950 would indicate that production was 450,000 tons less than the usage, and that means that the stockpiles were correspondingly reduced.

These figures, as Senator Ellender requested, are as follows: The total was 5,900,000 tons, the top figure, in 1950.

The use by fertilizer was 1,222,000 tons. These are long tons, about 10 percent less than the short-ton figure would be. The export figure is 1,440,000 including Canada.

Senator AIKEN. What part of the sulfur supply comes from sulfur mines? Is there any appreciable amount coming as a byproducct from other mineral enterprises?

Mr. MARGESON. It is comparatively small. I would say offhand around 90 percent from brimstone, 90 percent or higher.

Senator AIKEN. I know in my own State of Vermont we throw away a lot of sulfur as a byproduct of the copper mining. Copper is found in an iron sulfate there. Of course, the amount per day is not much, maybe a hundred tons a day, but they can recover it and it seems there is a source of supply there if it could be worked out.

Mr. MARGESON. I will mention that possibility and answer specifically a question after my figures are given if it does not answer your question, sir.

May I repeat—the fertilizer industry last year used about 22 percent of the sulfur and 35 percent of the total sulfuric acid consumed in the United States. Our industry has been cut about 25 percent below last year's sulfuric acid supply. This cut, occurring simultaneously with an estimated 15-percent increase in demand for fertilizer, makes it impossible for superphosphate manufacturers to produce adequate amounts for agricultural goals.

By heavily depleting their sulfur stocks and by developing every possible source of spent acid, superphosphate producers were able to produce 7 percent more superphosphate in the first 6 months of 1951 than during the same period of 1950.

Even so, this production fell far short of demand. Ammonium sulfate production during this same period was only 65 percent of the 1950 period. Unless the quantities of sulful and sulfuric acid allotted to fertilizer manufacturers are increased, both superphosphate and ammonium sulfate production will be at least 15 percent less for the 1951-52 crop. This cut, coupled with an estimated 15-percent increase in demand, means that farmers will receive about 30 percent less of both of these essential fertilizer materials than they will require to meet agricultural production goals during the coming season.

Although superphosphate is used primarily to supply phosphorus, it is also essential in utilizing liquid nitrogen. Thus, the shortage of

superphosphate has restricted the amount of liquid ammonia which can be used and made available to farmers.

The long-time answer to the sulfur shortage is increased production. Progress is being made in this respect.

1. The Freeport Sulphur Co. has discovered a new field in Louisiana from which they anticipate producing 500,000 tons annually. That is brimstone.

2. Sulfur can be extracted from sour gas which, if encouragement is given to prospective companies, could produce 500,000 tons annually.

Senator JOHNSTON. Will you explain that, please?

Mr. MARGESON. Sour gas is the gas brought up out of the ground by the oil companies and some gas companies which contains hydrogen sulfide, and this form of sulfur, hydrogen sulfide, is offensive and cannot be used.

Senator JOHNSTON. Is that what they burn?

Mr. MARGESON. To keep it from contaminating the countryside.

Senator JOHNSTON. They light it up and burn it?

Mr. MARGESON. If that were used in the gas for consumers, it would be so offensive that it could not be used. So sour gas largely in the West Texas fields and in Wyoming, containing from 6 to 35 or 40 percent of hydrogen sulfide is processed by a form of procedure which I will not describe to remove the hydrogen sulfide and then that hydrogen sulfide is split so that the sulfur is also removed.

The largest plant doing that at present is a plant that the Texas Gulf Sulfur Co. has set up in Wyoming at Worland, and that is in conjunction with the Pure Oil Co.'s field.

They are now getting 320 tons a day of pure sulfur out of the gas from that field.

There are other plants for the processing of sour gas and I estimate that approximately 500,000 tons might be produced from that kind of processing.

The CHAIRMAN. You say plans or plants?

Mr. MARGESON. Plants.

Senator JOHNSTON. They were considering putting in a plant at Odessa, Tax. Did they ever do anything there?

Mr. MARGESON. I chased around that field trying to get for our company. As a matter of fact, there are two fields out there, the McElroy Field, and the Goldsmith Field, which are large producers of sour gas. I think plants are going to be put in both those fields. I am not positive, but at the time I was chasing it there were three people interested.

They were the El Paso Natural Gas Co., which took the gas and used it; the Freeport Sulphur Co. which was trying to get the sulfur rights; and Phillips Petroleum, I think, was also involved; and the question was: Who owned the sulfur right?

Originally, when the gas contracts were written, the sulfur was a nuisance and nobody set aside in the contract definitely who would have the ownership of this nuisance. Now it is very important because of the shortage, and I think, though I cannot quote it accurately, perhaps, that Phillips Petroleum is going to develop both those fields. At least, they are both going to be developed.

3. Prospecting for new sulfur deposits might yield additional sources of sulfur.

Senator AIKEN. Is there any likelihood of use being made of the Canadian deposits?

Are they too inaccessible?

Mr. MARGESON. The Canadian form is principally pyrites, similar to what you described in Vermont.

Senator AIKEN. Yes.

Mr. MARGESON. It is good quality pyrites, and I understand that Noranda, for example, is going to process 200,000 tons a year of pyrites, and I believe it contains 40 to 45 percent sulfur.

Senator AIKEN. Isn't the sulfur a byproduct?

Mr. MARGESON. Yes. You do have to use both forms. If you have an iron sulfate you have to get the copper values used if you have copper, and in pyrites in that form it appears in conjunction with another metal.

Senator AIKEN. In our case it is found in the copper industry.

Mr. MARGESON. You have to utilize the copper.

Senator AIKEN. The byproduct in the small mines, they say 150 tons of iron and 75 tons of sulfur each day.

Mr. MARGESON. I might point out one of the problems of a company, such as our own, looking for sulfur sources and going to a field such as Canada for pyrites. Most of the sulfur distributed in this country today is from the Gulf and is sold at about 21 or 22 dollars a ton f. o. b. Gulf ports. That is pure sulfur. If you go to Canada and take an ore with 45 percent sulfur in it, you have a much higher processing cost than the brimstone producers, who get it directly from the ground as such on the Gulf. Then your freight begins to eat it up when you start transporting it to your point of use.

Your point of use in this country is largely in the southeastern part of the United States.

What you do as an individual company when you inspect every possibility of using Canadian pyrites in a Georgia plant is find that you have not only high-cost sulfur, but you have excess transportation cost as compared with Gulf transportation, so that you land your sulfur in your plant at a prohibitive price.

Senator AIKEN. Any Canadian product would probably go into the paper industry.

Mr. MARGESON. I suppose that is true, but the same situation applies here.

We are checking, for example, pyrites deposits in the Wyoming area, and there are some in the California; some in Utah.

Pyrites appear in this country in a large number of locations but the cost has been the prohibiting factor.

The CHAIRMAN. Couldn't pyrites from Canada be refined there so as to save on transportation?

Mr. MARGESON. Yes, but you start with an ore in the ground that has only 45 percent sulfur, and you are further away from using Canada or California than the Gulf. The producers at the Gulf get out of the ground a liquid pure form.

The CHAIRMAN. I can see that, but the point is then since there is a shortage of——

Mr. MARGESON. If you disregard cost, you could certainly do it, yes. To continue:

4. Sulfuric acid could be recovered from smelter gases, but individual companies which produce these gases as a waste material cannot

make this recovery in competition with the present price of sulfur.

5. Recovery of sulfur from petroleum processing might yield small amounts of sulfur.

6. The burning of pyrites instead of brimstone could help relieve the shortage in time. However—this is a most important point—plant cost for producing sulfuric acid from pyrites is almost double the cost for producing with brimstone, and even if construction materials were available, at least 2 years would be required to make this conversion.

New sulfur sources promise little if any relief before 1953. By that time increased demand for United States sulfur, according to Charles E. Wilson, Defense Mobilzation Director, will call for 7,220,000 long tons, while anticipated 1953 supply from sources now in sight will furnish only about 6 million tons.

There are those in Government and in other industries today who recommend that our industry begin to use nitric or some other acid instead of sulfuric. I should like to emphasize that nitric acid today is equally as scarce as sulfuric, and that even if nitric acid were plentiful, it would require a complete change in equipment before this could be realized. Such a change-over would require large amounts of stainless steel and, as you know, this product is very scarce. Research is under way both in industry and in Government laboratories to find new substitutes for sulfuric acid. In time it may be possible for our industry to find usable and economic substitutes, but for the present no relief can be expected.

Our industry has plans to expand its facilities to meet the increasing demand for fertilizers. Certainly with our constantly growing population and a continuously increasing demand for more food on fewer acres, the future will require more and more fertilizer. The United States Department of Agriculture has estimated that by 1960 farmers will need double the amount of commercial fertilizers they need today. That is supported by the rate of increase on these curves that I showed you.

In order to expand facilities to meet this demand, the fertilizer industry must have the understanding and cooperation of all Government agencies.

For the present, the only real increase in our sulfur supply could come from reducing exports. Today our Nation is exporting almost 25 percent of its production. World demand for sulfur has been so great that our 1951 exports are expected to reach about 1,300,000 tons including Canada as compared with 1,435,000 tons exported in 1950.

Senator KEM. May I ask a question, Mr. Margeson?

Mr. MARGESON. Yes, sir.

Senator KEM. What proportion of these exports of fertilizer is paid for under the Marshall plan?

Mr. MARGESON. I am sorry. I can't answer that. I think most of it.

Senator KEM. We are giving away about 25 percent of our total production; is that the situation?

Mr. MARGESON. Well, I am giving a personal opinion now from reading on the subject, and it is my understanding that ECA has encouraged the foreign countries to change their use of sulfur from the pyrites sources which are plentiful, to the brimstone sources which are cheap, and the brimstone is sent from this country to them for that

purpose, and I believe a very large percentage of the exports are being made as a result of that move.

Furthermore, it is my understanding—and this is a personal understanding that should be checked if you are interested—that shippers from this country get a premium on export shipments so that it is not only being sponsored by the Government agencies, but a premium is being placed on the desirability for the sulfur producer to ship sulfur out of this country because they obtain a premium on it.

The CHAIRMAN. You mean a greater price?

Mr. MARGESON. A higher price than domestically.

Senator KEM. You qualify your statement by saying, "If you are interested," don't you think that is something the representatives of the American people should be interested in?

Mr. MARGESON. Yes; I do.

Senator JOHNSTON. Isn't that caused from the fact that it is sold on the world market instead of the American?

Mr. MARGESON. Yes.

Senator EASTLAND. What is the difference in price?

Mr. MARGESON. I would rather a sulfur producer would answer that question, if you do not mind, because I am not informed, and I think my statement should be checked with regard to the sulfur prices by the sulfur producers.

Senator EASTLAND. The Government has to authorize the export.

Mr. MARGESON. The export quantity; I am not sure they control the price; I do not know. I am not well informed.

Having shown that exports are still 1,300,000 tons, we conclude that only a token reduction in exports is probable.

It is estimated that the fertilizer industry needs an additional 360,000 long tons more sulfur this year to meet agricultural goals. Our industry does not expect exportation of sulfur to be completely shut off. However, we do feel that sulfur exports should be critically analyzed and appraised with the view of determining minimum requirements of friendly nations. We feel that the sulfur requirements of American agriculture could be met by a reasonable reduction in exports.

Senator KEM. You mean by that a reasonable reduction in our gifts abroad?

Mr. MARGESON. Exports is the only term that I think I am qualified to use.

Senator KEM. Did you not say exports were largely gifts?

Mr. MARGESON. I did not use the word "gifts." I said they were the result of ECA's decisions. Whether that can be classified as a gift or not, I think you are a better judge than I.

The CHAIRMAN. Can you tell us to what extent sulfur exports have increased since the ECA program?

Mr. MARGESON. I can give you the results in the last few years from these charts, Senator. This figure is, I would say, 980,000 tons and this figure is slightly higher than this figure which is 1,440,000.

The CHAIRMAN. So that prior to ECA coming into the picture our producers were exporting a little over two-thirds of what is now being exported.

Mr. MARGESON. I think that is correct. I do not know personally when ECA started; what year it was.

Senator KEM. 1947.

The CHAIRMAN. Let's say from 1947 then the increase has been very little.

Mr. MARGESON. Comparatively.

Senator EASTLAND. Is sulfur used in the manufacture of munitions?

Mr. MARGESON. Yes.

Senator KEM. Will you work that out for us, Mr. Margeson, in connection with your statement that these exports are largely due to the activities of ECA?

Mr. MARGESON. I am not fully informed on that, Senator, and I do not think that I am qualified to speak on it. I gave you as a personal opinion that that was so from my reading of the newspapers, and that is the only source I have. I am sorry I am not better informed.

Senator EASTLAND. Do you know whether an appreciable percentage of the exports is used for manufacturing of munitions abroad?

Mr. MARGESON. I do not know what the uses are.

Senator AIKEN. What about the development of sulfur sources for meeting this large demand from abroad?

Mr. MARGESON. I think they are actively working on it, and I think I can speak very definitely from personal experience with our company.

While we have been looking around for sulfur sources we have obviously looked at pyrites that were available in Spain. We make foreign shipments of phosphate, which we mine, to Spain, and we could exchange phosphate for sulfur or pyrites.

We thought that was a pretty good deal.

We are building a new plant that will need 60,000 tons of sulfur per year, and we were looking for a source for that plant. It is located in Florida.

We got prices on Spanish pyrites and had contacts with them leading to a contract. We found that our plant cost would double if we would do that. Our plant costs for making sulfuric acid would rise from $1,400,000 to $2,650,000 if we used pyrites instead of brimstone, but we decided we should go along and explore even on that basis.

Senator AIKEN. Wouldn't the lower wage level in other countries offset that?

Mr. MARGESON. Let me say that with the purchase price of pyrites in Spain, we could produce sulfuric acid in that plant which would cost us about double, at near the cost of sulfuric acid produced in Florida from the Gulf, because we have a very low freight rate.

Senator AIKEN. That is what I wanted to know.

Mr. MARGESON. Yes; it could be done. We proceeded to explore that situation, and just as we were about ready to talk business, we were told that the Rio Tino mines and the Tarsus mines in Spain were controlled by the British interests and managed by British managements, and they had been forbidden, because of world-wide shortages of sulfur and in view of the fact that exports might be curtailed from this country, to sell pyrites to manufacturers in this country.

I know that the British are using that source to increase their supply.

Senator AIKEN. We find many things in Africa. Are there any developments there? Didn't they used to import brimstone from Sicily?

Mr. MARGESON. Yes; Sicily and Italy. If you are willing to pay $90 for sulfur landed in this country you can have it. There is plenty of sulfur.

I can give you another example, if you wish to take the time. We have friends in this country who control mining in Cyprus. There is a byproduct there that contains sulfur—like your Vermont situation. There are these waste ponds that contain huge ponds of sulfur and we explored the possibility of getting sulfur extracted over there and shipping sulfur to this country to use in our operations.

We will use about 90,000 tons of sulfur a year either as sulfur or sulfuric acid. The problem we had was this:

We could get it and we could land it but after we landed it we could not make a product in this country which would compete, particularly under price ceilings.

Senator AIKEN. The reason we export so much sulfur is that we are selling it cheaper than the other countries?

Mr. MARGESON. I think it is right to say that the brimstone distributors set the price on sulfur.

Senator AIKEN. Our distributors?

Mr. MARGESON. Our brimstone producers.

Senator AIKEN. They virtually fix the world market price?

Mr. MARGESON. I would think so because of the size of their production.

Senator KEM. So the shortage from the world standpoint is a shortage of sulfur at the present price?

Mr. MARGESON. May I say that this way. It is my personal opinion that if the present price of sulfur were raised, more of the marginal sources of sulfur would be brought into producing sulfur.

Senator KEM. You think the supply would be adequate?

Mr. MARGESON. It could be, depending on the amount that would be allowed for the production.

Senator KEM. That is another approach to it, whether the present ceilings are realistic from the standpoint of demand.

Mr. MARGESON. Yes.

Senator AIKEN. In the case of our mining in Vermont we have no power to use to operate a recovery plant.

Mr. MARGESON. It requires large plant costs to produce the sulfur from those sources.

Senator AIKEN. That is true, and the earnings would come primarily from the iron, I think, which has been selling as high as a dollar a pound.

The CHAIRMAN. Mr. Margeson, the committee would like to check into your statement that virtually all of the exports have been financed by ECA.

Now, according to your chart, in 1947, when ECA started its operations, the amount of exports for that year as I figure it, was a little over 1,350,000 tons; in 1948 it was a little under one million three; in 1949 a little over a million four; and in 1950, a little over one million four; is that correct?

Mr. MARGESON. Those are the figures.

The CHAIRMAN. What is the source of your information that all of the sulfur was purchased through ECA?

Mr. MARGESON. Senator, excuse me. I do not think all of it was. I said I thought from reading, personally, of the newspapers that a large percentage was used in plants financed by ECA.

The CHAIRMAN. Would you know hom much?

Mr. MARGESON. No; I do not.

I would rather have that gotten from sources to which you have more access than I.

The CHAIRMAN. The reason why I asked—I took the matter up myself with Mr. Wilson in the early part of this year and I did not ask how the sulfur was exported or paid for, but it was my understanding—and I will get the letter from him to put in the record—that because of the increased demand for sulfur in the United States they contemplated cutting the export considerably.

My recollection is—I may be wrong about my figures—that the export of 1951 would be under a million tons. I may be wrong about that, but since you have raised the question, I believe that it might be apropos to get the facts and place them in the record in connection with your testimony.

Senator KEM. Will you make that letter available to members of the committee?

I should be very much interested in seeing it.

The CHAIRMAN. Yes.

Senator JOHNSTON. Didn't ECA take effect in 1947? Wouldn't you have to go back to 1946 to see the real effect?

Senator EASTLAND. You have the factor that foreign countries had more dollars then than they had in 1950.

The CHAIRMAN. I would like to inform the committee that the NPA official will testify here and I will suggest that the clerk inform him of this testimony so that we can get the picture and put it in the record as it should be.

Senator AIKEN. Is he coming Monday?

The CHAIRMAN. Yes.

Mr. MARGESON. I would like to add this to what I have said.

I would like to reemphasize the fact that I am not informed on these points, and I am not an expert and I think you should get your testimony from experts.

The CHAIRMAN. That is why we are calling witnesses to testify as to things they know and not what they think and I believe if witnesses we call upon were to restrict their testimony to what they know and produce evidence to show what they know, it might be better than to surmise what they think the situation is.

Mr. MARGESON. I would like to withdraw my statements regarding the ECA purchasing and requirements of sulfur and would like to supplement it with this statement: That as far as the fertilizer industry is concerned, it is secondary in our opinion as to who provides the money for the purpose of exports.

The fact is that the exports are there and it is in our opinion a place where we could get sulfur for the fertilizer industry.

The CHAIRMAN. And yet you suggest that you do not believe that exports should be cut entirely.

Mr. MARGESON. Correct.

The CHAIRMAN. To what extent in your opinion should they be reduced?

Mr. MARGESON. The figures that we have given here in our formal presentation are these. World demand for sulfur has been so great that our 1951 exports are expected to reach about 1,300,000 tons—those are published figures—as compared to 1,435,000 tons exported in 1950.

It is estimated that the fertilizer industry needs an additional 360,000 long tons more sulfur in this year to meet agricultural goals.

For example, if 360,000 tons were taken out of 1,300,000 tons of exports, it would not stop the exports.

Senator EASTLAND. Would it cut down on the munitions manufactured abroad?

Then we would have to use more sulfur here and ship munitions.

Mr. MARGESON. I am speaking primarily on the fertilizer industry and from the conversation to date I had better stick to that.

Senator KEM. Today our Nation is exporting almost 25 percent of this scarce material. That is statistically correct, is it not?

Mr. MARGESON. Yes; that is statistically correct, and these exports are statistically correct.

The CHAIRMAN. I refer to a letter I received from Mr. Wilson, and which I put in the record yesterday; in my letter to him I expressed my opposition to the fact that much of the sulfur was being exported and I got my information from the industry.

His answer was this, and it was sent to me under date of March 12, 1951:

> We are cognizant of the excess of demand over the available supply of sulfur and certain steps have been taken to date to alleviate in part this condition. For example, the Department of Commerce has established an export quota of 200,000 tons for the first quarter of 1951. Projected on an annual basis and compared with last year's total exports, this would represent an annual reduction of 300,000 tons in the export of sulfur.
>
> It is my belief that sulfur will have to be allocated within a reasonable period of time and the National Production Authority is now framing a limitation order on the use of sulfur.

So, when the NPA official, whom we have asked to come before us next Monday appears, I am going to ask him to cover this. In fact, I will give him a copy of this testimony so that he can give us the true facts as they are from the records, if it is possible to obtain them within that period of time.

Senator KEM. It might be well to call Mr. Bissell of the ECA.

The CHAIRMAN. I imagine that they have records, Senator, that are easily obtainable as to how much has been obtained, and I am sure that NPA could get those figures because they are published; and if it is necessary to get Mr. Bissell, of course, we will do it to clear the point.

Senator AIKEN. I notice Mr. Wilson refers to allocating sulfur. Is sulfur allocated today?

Mr. MARGESON. Yes; it is allocated.

Senator AIKEN. I noticed in his letter he mentioned the fact that we would have to allocate.

Mr. MARGESON. I think it would be well to check the figure of 200,000 tons for the quarter. Our understanding from the check of the statistical records is that 1,300,000 tons will be exported this year including Canada.

You can get the records from NPA.

The CHAIRMAN. We will get it exactly as it is; I am sure the NPA officials can get the facts from Commerce as well as ECA and other sources that are available to them, so that we will have the whole picture put in the record when he appears.

Senator KEM. I think the extent to which this export of this scarce material is being paid for by the American taxpayers is a very relevant and important fact and should be fully and accurately developed.

Senator JOHNSTON. Especially if they are paying more than the present American price.

Senator AIKEN. Do you feel that the allocation program is working well?

Mr. MARGESON. Well, I would like to finish this statement which indicates to me that there ars some changes that might be made in the allocation system.

Senator AIKEN. I wonder if it is working as well as the allocation of steel is.

Mr. MARGESON. We have some suggestions that we would like to make regarding that.

Senator AIKEN. All right.

Mr. MARGESON. The fertilizer industry has been working with Government officials to determine where it might effect savings in sulfur through more efficient usage of sulfur-bearing materials and fertilizers.

The Department of Agriculture has found that some row crops, heavily fertilized throughout the years, can be produced for a limited period with reduced superphosphate applications.

Doubtless some savings can be obtained here. However, ther is an unprecedented demand for superphosphate on pastures. In order to support the largest cattle population in our history, better grasslands are necessary and these grasslands require fertilizers, especially superphosphate. The fertilizer industry will follow the advice of Federal and State leaders in promoting the most useful grades and analyses, but it should be emphasized that the fertilizer grades are set in many States by law and only limited sulfur can be saved through grade changes.

Under the present NPA restricting orders, sulfuric acid normally used in producing fertilizers is being allocated for other purposes.

I would like to refer you to the statement of the newspapers this morning—and again that is a newspaper statement—to the effect that the newsprint industry is interested in obtaining more sulfur.

I understand that Representative McDonough, of California, is introducing a bill to obtain a 50 percent increase in the allocation of sulfur for the newsprint industry.

That is a way in which we believe agricultural sulfur may be taken. This is because agriculture does not, in our opinion, have the proper priority rating in the defense program.

A survey of this problem shows that many of the superphosphate producers are receiving only 55 to 60 percent of the sulfuric acid which they received last year. In some cases superphosphate manufacturers have been forced to close their plants for a lack of sulfuric acid.

I would like to explain there has been a reduction in elemental sulfur distribution of about 20 percent. Some of the purchases of sulfuric acid have been cut as much as 40 percent.

Much of the sulfur used by the fertilizer industry is in the form of sulfuric acid, and most of the fertilizer producers buy sulfuric acid rather than sulfur.

In other words, they do not make their own sulfuric acid. So large chemical companies who produce sulfuric acid are being asked to ship their sulfuric acid to other industries; and when we go to a sulfuric acid supplier and ask him for sulfuric acid, he advises us that the defense operations have priority exceeding agriculture and they ship to them and cut us down.

I can give our own company's experience on that. We have been cut this year, as compared with 1949–50, 20 percent in the actual use of brimstone by the brimstone suppliers and about 35 or 36 percent by our sulfuric acid sources.

Senator AIKEN. You might be interested, Mr. Margeson, to know that one of the larger paper mills in New England is undertaking to use this iron sulfate, and by some process—I understand they steam the fumes of sulfur out of it and use that.

The draw-back is in transporting 2 pounds of iron, which they don't want, to get 1 pound of sulfur which they do want to the paper mill, and I understand is on an experimental basis now.

Mr. MARGESON. I might point out there that the fertilizer industry operates on a very narrow margin of profit compared with other industries. Some of these marginal sources of sulfur can be used by high-profit industries. I do not know about the paper industry.

The superphosphate, for example, is sold by the manufacturers at a very narrow margin of profit and some only on a break-even basis, so that you cannot do much with higher-priced sulfur and still stay in the business of supplying superphosphate for the farmer.

Senator AIKEN. I would expect that the paper industry would be better able to add an extra cost on than the fertilizer industry would.

Mr. MARGESON. I do not know, but fertilizer margins are narrow.

The CHAIRMAN. I was informed that a lot of the sulfur that was used in the superphosphate industry could be recovered. Now what is the fertilizer industry doing toward recovering this sulfur in whatever form it might be recovered.

Mr. MARGESON. I am not sure of the process of which you are speaking, Senator. I do not know that we are now in our company doing research on the recovery of the sulfur values. When superphosphate is made, sulfur disappears in the form of gypsum, which is a calcium-sulfate chemically, and we are trying to separate the calcium from the sulphate in gypsum. It can be done.

I believe that there is a plant in England that is doing it.

The CHAIRMAN. Do you know of any plants in this country that are doing it?

Mr. MARGESON. I have heard that TVA has done it, but again you get a very high-cost product, by any method known to date.

The CHAIRMAN. It may have been to the experimental stage that I heard reference and not actual recovery. I remember discussing it with somebody in the fertilizer industry, I do not remember who it was, but they came to my office some time ago, and in a discussion I

suggested to them or, rather, asked why it was that the sulfur was not recovered from the superphosphate.

It is not used as a fertilizer, is it?

Mr. MARGESON. Superphosphate is used.

The CHAIRMAN. I mean the sulfur.

Mr. MARGESON. It does have plant food value.

The CHAIRMAN. It could be extracted?

Mr. MARGESON. Yes, it can be done, but again it is prohibitive as to plant cost and final sulfuric acid cost so far.

The CHAIRMAN. Proceed.

Mr. MARGESON. The sulfur shortage is not merely affecting the 200 or more companies who manufacture superphosphate from sulfuric acid, the burden is also falling on small businesses, dealers, and farmers who depend upon the superphosphate producers for their source of supply. Obviously the farmer who receives $5 to $7 return on each dollar invested in fertilizers is disturbed. Furthermore, consumers are disturbed because they know the surest way to lower prices is abundant production.

We appreciate the interest of your committee in this matter and we hope that your findings will lead to an improvement of the sulfur and sulfuric acid supply for agriculture, thus placing our industry in a position to meet its responsibility to the defense program. As a course of action, we should like to recommend that the following steps be taken immediately:

1. That the control bureaus reexamine our sulfur exports, reducing them sufficiently to provide agriculture's needs. And that they demand that sulfuric acid manufacturers in foreign countries accelerate a return to the use of pyrites, or other forms of which there is an abundant supply, as a replacement for imported sulfur.

2. Government agencies assist private industry in the development of natural and byproduct sulfur wherever it occurs in North America.

3. Agriculture be given a higher priority rating in the defense program and that other defense industries be stopped from raiding agriculture's sulfur and sulfuric acid supplies.

4. The importance of food and fiber to the national defense dictate that the fertilizer industry receive its full sulfur and sulfuric acid requirements for fertilizer. If this is impossible, we recommend and hope that your committee will insist that other sulfur-using industries take comparable reductions, not requiring the fertilizer industry to assume a disproportionate share of any necessary reduction.

The CHAIRMAN. Under No. 2 you said, "Government agencies assist private industry in the development of natural and byproduct sulfur wherever it occurs in North America." What do you mean by that?

What kind of assistance do you mean? Do you mean by way of subsidies?

Mr. MARGESON. There are two forms that help might take. One would be subsidies of marginal production and the other would be an increased price of sulfur as a whole, which would encourage private industry to bring out the marginal sources of sulfur.

The CHAIRMAN. Wouldn't those who mine brimstone be the chief beneficiaries if you should increase the brimstone price in order to raise the prices of these others?

Mr. MARGESON. They would be direct beneficiaries, whether they would be the principal beneficiaries I would question, because the fertilizer industry is large, the farm industry is large, and the shortage of fertilizer, reduction of fertilizer instead of the normal increase, as requirements indicate, is going to be a serious thing in my opinion to a large industry and to a large group of farmers and consumers.

In other words, it might be better to let the brimstone producers benefit in order that the larger benefit might be obtained by a larger number.

The CHAIRMAN. I understand that sulfur is now selling for $21 a ton; is that right?

Mr. MARGESON. $21, I think some companies quote; I think other companies quote $22.

The CHAIRMAN. To what extent does the increased price in sulfur increase the price of fertilizers?

Mr. MARGESON. Superphosphate is about 50 percent of the material used in fertilizers; and our calculations at some of our plants in the Midwest, I think at Mason City, Iowa, indicated that a dollar increase in the price of sulfur would raise the price of 20 percent superphosphate, which is used in the mixes, by about 11 cents a ton.

With superphosphate of 20 percent grade at 87 cents a unit for P_2O_5, which is the available form, that means an 11- or 12-cent increase on a product that sells for upward of $17.

The CHAIRMAN. That would be 11——

Mr. MARGESON. Eleven cents per ton increase for an increase of $1 a ton in sulfur prices.

The CHAIRMAN. Any further questions?

Senator KEM. Mr. Margeson, you recommend that other sulfur-using industries take a comparable reduction. Do you feel that the newsprint industry should take a reduction?

Do you feel that they are obtaining a disproportionate share?

Mr. MARGESON. Senator, I got into a little trouble by trying to be an expert on ECA a few minutes ago. I do not believe I should tackle the newsprint industry.

The CHAIRMAN. But in any event I am in thorough agreement with you that every effort should be made to the end that agriculture not only be given its just proportionate share, but that it be given first claim, because without food, you could not produce cannon, you could not produce anything.

I firmly believe, I have discussed it with people in the NPA, that agriculture should be given first preference, just as much as the Army, Navy or Air Force, because without food you could not create an Air Force, you could not do the things that are now being done. The idea of putting agriculture in the same position as those who manufacture bicycles, to me was just horrible until we, of course, took the matter up and I believe that the Department of Agriculture through Mr. Brannan has done a good job toward alleviating that condition from its first inception.

Some of us, I know I did, and I am sure quite a few members of this committee, suggested to Mr. Wilson and others that agriculture should be given top priority in its requirements for steel and sulfur and everything else, so as to produce adequate amounts of farm machinery and fertilizer and pesticides.

Senator KEM. How about the representations being made by the newsprint industry that the dissemination of public knowledge is seriously being discouraged by lack of proper supplies of sulfur.

The CHAIRMAN. They are using too much paper. The New York Times, for instance—I noticed a newspaper boy the other day on the street not far from me who had one of these little wagons carrying papers around, and the little wagon could hardly carry more than 10 papers, they were so thick.

The same thing goes with Congress here, the Government. We are using, as you know, too much paper.

I would rather see a reduction in the paper use and therefore reduce the use of sulfur that way than to penalize agriculture.

Senator KEM. The proper approach would be to cut down the talk, would it not?

The CHAIRMAN. Probably so. I am in favor of that, except when we have a filibuster. Are there further questions?

Mr. MARGESON. Excuse me a minute. The advertising in newspapers is something that could be checked.

The CHAIRMAN. Without that the papers might not be able to exist.

Mr. MARGESON. There is an encouragement, I think, in the present set-up for the use of more advertising space than formerly.

The CHAIRMAN. Are there any further questions?

If not, we thank you very much, Mr. Margeson.

Mr. MARGESON. Thank you for the opportunity of appearing here, sir.

The CHAIRMAN. All right.

Next is Mr. Spencer.

Mr. Spencer, will you identify yourself for the record, please, sir.

STATEMENT OF KENNETH A. SPENCER, PRESIDENT, SPENCER CHEMICAL CO., KANSAS CITY, MO.

Mr. SPENCER. Mr. Chairman, my name is Kenneth A. Spencer. I am president of the Spencer Chemical Co. of Kansas City, Mo., a producer of agricultural nitrogen with plants located at Pittsburg, Kans.; Henderson, Ky.; Charlestown, Ind., and a proposed new plant at Vicksburg, Miss.

The CHAIRMAN. You have a prepared paper?

Mr. SPENCER. Yes, sir.

The CHAIRMAN. Would you mind interruptions, or would you prefer to go through your statement without interruptions?

Mr. SPENCER. I do not object to any interruptions. It may be that it will save time to ask questions as we go along.

The CHAIRMAN. All right.

Mr. SPENCER. I appreciate the opportunity to appear before this committee today, to discuss some of the problems which confront the producer of an important primary agricultural commodity—fertilizer nitrogen.

While my remarks, by way of example, will apply specifically to problems confronting our own company they are problems common to the fertilizer and the chemical industry.

I understand this committee is interested in both the present and future welfare of agriculture and its essential ally, the fertilizer in-

dustry. However, with your permission I would like to give a little background of our company.

The Spencer Chemical Co. was originally organized under the name of the Military Chemical Works, Inc., then a wholly owned subsidiary of the Pittsburg & Midway Coal Mining Co.

The chemical company's original purpose was, during World War II, to construct and operate for the United States Government the Jayhawk Ordnance Works near Pittsburg, Kans. The plant was completed before schedule at less cost than the estimate and continued to operate in excess of designed capacity throughout the war. On June 2, 1946, the company, with its name changed to the Spencer Chemical Co., leased from the Government the Jayhawk Works for commercial operations, and subsequently, on May 20, 1948, purchased the Jayhawk Works outright.

On May 4, 1950, the company purchased from the United States Government, by competitive bidding, the Ohio River Ordnance Works located near Henderson, Ky., now referred to as the company's Henderson Works.

At the same time, the company leased from the Government certain facilities at the Indiana Arsenal now known as the company's Charlestown Works—that is, those leased facilities—and thereafter installed additional facilities to produce fertilizer materials.

The agricultural chemicals produced by this company are derived from anhydrous ammonia produced at the Henderson and Jayhawk Works, and constitute about 70 percent of the sales of the company.

Ammonia is produced at these plants by chemically combining nitrogen from the air with hydrogen from natural gas and steam.

In order to convert this anhydrous ammonia into forms usable by agriculture, a portion of it is oxidized to nitric acid. This acid, in turn, is neutralized with more ammonia to produce either fertilizer grade ammonium nitrate, a white pelletized solid, or nitrogen solutions.

The former product is used principally as a direct application fertilizer and the latter, containing various proportions of ammonia and ammonium nitrate in water solution, is used by fertilizer manufacturers or mixers as a source of nitrogen in the preparation of mixed fertilizer. At the present time, it is estimated that this type solution accounts for about 27 percent of the total nitrogen used as commercial fertilizer in the United States.

The CHAIRMAN. How long has that method been in use?

Mr. SPENCER. It is not novel. The so-called wet-mixing process——

The CHAIRMAN. The reason I asked is I have noticed in my own section they have just started it and I noticed on some of these large plantations they have tanks in which they put the liquid and then they have some kind of plant or machine with which they scatter it, so the crop is saturated with it.

Mr. SPENCER. What you have observed perhaps was the direct application of anhydrous ammonia to the ground as differentiated from these solutions which the mixers are using as an origin or source of nitrogen in mixed fertilizers. These spheres you see in the Mississippi Delta contain anhydrous ammonia.

The CHAIRMAN. That is the pure stuff?

Mr. SPENCER. Yes; that is pure. Both are sources of nitrogen and find their way into agriculture.

The CHAIRMAN. The one they use directly is in the form of gas?

Mr. SPENCER. Yes; at atmospheric pressure, and under pressure it is a liquid and it takes ammonia, to make nitric acid.

The CHAIRMAN. I see.

Mr. SPENCER. At the present time it is estimated that this type solution accounts for about 27 percent of the total nitrogen used as commercial ferilizer in the United States.

At the time the company purchased the Henderson Works from the Government as stated above, it also at the invitation of the Government leased a portion of the Indiana Arsenal at Charlestown, Ind., consisting principally of nitric-acid units, and installed at the company's expense new facilities for the preparation and storage of the nitrogen solutions. These facilities, incidentally, added approximately 12 percent to the Nation's total supply of fertilizer solution.

The CHAIRMAN. Are we to understand all the plants you are now operating were at one time put up and paid for by the Government?

Mr. SPENCER. We leased a portion——

The CHAIRMAN. I mean either through lease or purchase by you.

Mr. SPENCER. We went ahead and built the additional facilities with our own capital required to make fertilizer materials. We used those parts of the Government plants that were available and built the additional materials.

The CHAIRMAN. That was a policy followed by the Government soon after World War II——

Mr. SPENCER. To utilize those facilities.

The CHAIRMAN. In order to get private industry to manufacture as much nitrogen as possible.

Mr. SPENCER. That is correct, sir.

In May of this year the company was informally notified by the Ordnance Department that the Army intended to reactivate a portion of Indiana Arsenal and as a result of this decision and in keeping with the policies of the intended prime contractor for the Ordnance Department, it would be necessary for the company—that is, our company—to vacate these premises in which we had made an investment of approximately $500,000 of our funds.

We immediately started making estimates of the cost of constructing duplicate facilities at our Henderson or Jayhawk Works, thereby making it possible to continue the production of nitrogen solutions which is in such short supply. Please understand that the Army had the perfect right to ask us to vacate in accordance with the terms of the contract.

The CHAIRMAN. Was that a recapture clause?

Mr. SPENCER. Yes; and beyond that we agreed to vacate on notice and we are quite willing to assume our own loss.

To simply maintain present production, however, it will be necessary for the company to purchase and erect at Henderson two complete nitric acid units, with finishing facilities and storage tanks, at an estimated cost of some $2½ million or add new nitric acid units at our Jayhawk Works.

The CHAIRMAN. Can the Government use these additional facilities you established at some of these plants?

Mr. SPENCER. You mean if we establish new facilities with our own funds?

The CHAIRMAN. You said you added some facilities.

Mr. SPENCER. If those plants, Senator, are used for their original purpose, unless they want to go into the fertilizer business, I would say they would not be useful to the Government.

In other words, the facilities we will vacate, we will simply salvage and save what we can out of them.

Some of the equipment for the new nitrogen solution plant would be salvaged from the Charlestown Works. The basic pieces of the new equipment which would be required at Henderson or Jayhawk are the nitric acid units themselves—that is, the heart of the plant—which consist principally of air compressors and vessels intricately designed and constructed almost entirely of stainless steel. Because of the short time in which the company has to integrate these facilities without interrupting the flow of nitrogen products to agriculture, recognizing the critical shortage of stainless steel and knowing that the Government has under its control a number of idle nitric acid units, we have contacted the Ordnance Department of the Army which has these units under their custody. As Secretary Brannan pointed out in his statement yesterday before this committee—

> In 1944–45 the military requirements were 600,000 tons of nitrogen. By comparison the present military requirements are very small.

That is a direct quotation.

The information we have is that the Army is currently taking nitrogen at the rate of 82,000 tons per year. This would indicate a use of not more than 15 percent of the total nitric acid units the Army has scattered at plants throughout the country—such as the West Virginia Ordnance Works, the Oklahoma Ordnance Works, and others. It appeared that if an arrangement could be made to purchase or even lease only four of these idle units—I am speaking of our own company—from the Government at a fair price, they could then be dismantled at some ordnance facility and moved to Henderson, Jayhawk, or the proposed new Vicksburg Works of the company at Vicksburg, Miss. These idle nitric acid units would then be adjacent to a going ammonia plant and, in the case of Henderson at a facility subject to the national security provisions. This entire program of course would be carried out by the company at its own expense and without cost to the Government.

This proposed plan was presented by letter on June 19 to Brig. Gen. Merle H. Davis, Chief of the Ammunition Branch, Industrial Division of the Office of Chief of Ordnance. Soon thereafter General Davis replied that he had given serious consideration to the company's proposal, but he could not recommend the release of such equipment from the national industrial reserve. On July 6 the company again wrote to General Davis to point out that this nitric acid equipment at the West Virginia Ordnance Works was there at a location not served by other essential facilities to produce nitric acid; that they were incomplete and therefore not operable in their present condition.

Moreover, these units were not adjacent to a source of ammonia and the company felt that, purely from a standpoint of national defense and the public interest, quicker utilization of these facilities for the Ordnance Department or other defense agencies would be possible if

the units were located at a going ammonia plant served by trained crews and subject to conditions of the national security clause. This would be particularly true if the reported tremendous demands of the Air Corps for nitric acid, as such, materialize. Further correspondence and conferences ensued between the Ordnance Department and the company. General Davis at all times gave careful and thoughtful consideration to the over-all problem. However, the position of the Ordnance Department remained unchanged.

On August 3 the company again wrote to General Davis and proposed that it would, at its own expense, dismantle, load, ship to and reerect at the Henderson plant the nitric acit units of the West Virginia Ordnance Works, and hold them under lease from the Government.

That is, if they did not want to sell.

Furthermore, the company was willing to agree that in the event the Government should, at a later date, have all of its other nitric acid facilities in operation and be unable to make satisfactory arrangements with the company for furnishing nitric acid from the units leased from the Government, then the lease on the equipment could be terminated by the Government and the company would dismantle and load the leased equipment on cars for shipment to a location designated by the Government.

In our opinion, this would involve no additional expense to the Government, since the units now located at a plant such as the idle and cannibalized West Virginia ordnance facility, would most likely have to be moved from their present location before they could be put into useful service.

The company, of course, would run the risk of losing the substantial installation cost, estimated at some $150,000 as well as the cost of dismantling, but was willing to assume this risk in the interest of preventing a prolonged interruption of approximately 12 percent of the Nation's supply of ammoniating solutions for agriculture which is currently being produced at our Charlestown, Works.

In response to this last proposal, the Ordnance Department then suggested that the company consider the operation of acid facilities as Plum Brook Ordnance Works at Sandusky, Ohio, or the Volunteer Ordnance Works at Chattanooga, Tenn. The company carefully investigated these possibilities and found that, from the company's point of view, the suggestion is uneconomical, and that it was further evident that these idle Ordance facilities, like Indiana Arsenal, might be required for defense purposes and reactivated. That is, to use those units in place rather than moving them.

The critical shortage of stainless steel, and the lead time required for fabrication if the stainless steel were available, is the sole reason for approaching the Government for the purchase or lease of these units. Otherwise we could purchase new units in the commercial market. It is estimated that if the company does not have nitric acid units to replace those at Indiana Arsenal by July 1 of 1952, agriculture will lose approximately 32,000 tons of nitrogen.

Senator EASTLAND. What is the total consumption of nitrogen by agriculture?

Mr. SPENCER. About 1,400,000 tons in all forms. We referred here to that form in solution.

Coupled with our problem at the Charlestown Works is the equally important and difficult problem which developed when the company started to build its new synthetic ammonia plants with auxiliary nitric acid and nitrogen solution facilities at Vicksburg, Miss. Subsequent to an application filed by the company on March 22, 1951, this new plant was certified by the Defense Production Administration on July 11 to be necessary in the interest of national defense during the emergency period, and DPA granted a necessity certificate stating that 50 percent of the cost—estimated at $14 million—of the construction, reconstruction, erection, and installation of the new facilities at Vicksburg would be attributed to defense and therefore could be amortized under the provisions of section 124A of the Internal Revenue Code, as provided in the Defense Production Act of 1951. The certificate further provides that it will be invalid unless the facilities were begun before the expiration of 4 months from the effective date of the certificate—that is, before November 11, 1951—and this is September 21.

On July 20 the company filed the necessary forms required by the Controlled Materials plan for concrete reinforcing steel to begin construction of the certified plant. This form requires that the company indicate its steel and other controlled materials requirements for each quarter, beginning with the fourth quarter of 1951, until the completion of the facilities.

Secretary Brannan stated yesterday to this committee. "It takes about 2 years to bring a nitrogen plant into production." However, drawing on the knowledge and experience gained in the construction and enlargement of the Jayhawk Works, we estimate that if all materials and equipment were available as needed we could begin production from the new Vicksburg plant in the early part of 1953. Furthermore, for the fourth quarter of 1951, the company would require no structional steel, which is in critically short supply, but would require only reinforcing steel and a few culverts, and by so planning its construction schedule could wait until the first quarter of 1952 before calling for any structural steel at all, and then only in the amount of 300 tons.

On September 8, the National Production Authority informed the company by letter that, because of the critical shortage of structural steel and other types of materials necessary for construction, they have denied an allotment for this new certified plant for the third or fourth quarter of 1951. Furthermore, the letter stated that if sufficient materials were on hand to go ahead with construction in the fourth quarter, the company was so authorized; but the authorization did not give any assurance that steel would be available the first quarter of 1952 or any succeeding quarter, but stated that for any further consideration of our steel requirements it would be necessary for us to refile a form CMP–4C by September 20, 1951. This was done. At the risk of repetition, I'd like to emphasize again that to meet the goal given above, early 1953, steel and equipment must be made available during the fourth quarter of 1951 and continuously through the succeeding quarters of 1952.

The CHAIRMAN. Do you know of any other concerns that are being built and that are in the same situation as you are with respect to obtaining steel?

Mr. SPENCER. Other nitrogen facilities that have had difficulty in getting steel?

The CHAIRMAN. Yes, sir. In other words, your statement so far is more or less a plea of necessity of assistance so that you can produce nitrogen.

Mr. SPENCER. Yes, sir. I know there are examples in the chemical industry where this same situation exists. I have not been as generous to the industry in my remarks as Mr. Margeson was. I am using our company as an illustration where we have facts and figures.

Senator EASTLAND. The Lion Oil Co. wants to build a plant at Mobile; isn't that right?

Mr. SPENCER. Yes, sir. They detailed scheduling and whether they have been allowed steel I don't know, but there are approximately 500,000 tons of certified plants in the nitrogen field.

The CHAIRMAN. You probably have an association here that could obtain that information for the record and place it here in connection with your statement to show who has applied, what the prospects are, and the amount of nitrogen that could be produced if the Government should comply with the suggestions made by the various applicants.

Mr. SPENCER. We have the record of those who have asked for certificates, and it is approximately 500,000 tons annually. With relation to their steel supply, we will have to take that up.

The CHAIRMAN. You don't cover that in your statement, and I would suggest that that be obtained and we will put it in the record in connection with your testimony. The committee might make some explanations that might give a little push.

All right, proceed.

(For material referred to above, see p. 110.)

Mr. SPENCER. That is that situation affecting steel.

With this information from NPA, the company finds itself in a very serious predicament. On the one hand, the certificate of necessity expires on November 11 on all material and equipment not on order at that date, while on the other hand the unfavorable action on the 4–C application for construction materials does not permit the company to place orders with fabricators for essential equipment such as compressors, pipe, valves, and fittings for 5,000 pounds per square inch installation, which requires many months to construct. At this Vicksburg Works, as stated before, the company also needs nitric acid units; if idle units from ordnance facilities could be purchased for use at this plant, the project would not require stainless steel from the virtually nonexistent civilian supply of this critical metal, which is used in the production of jet engines and other strategic military requirements.

If the company can obtain the four essential nitric acid units from the Army and a priority for steel and other controlled items for the certified Vicksburg Works, then, as I have pointed out, the company will not only be able to prevent the loss to agriculture of approximately 32,000 tons of nitrogen currently being produced at the Charlestown Works, but will also be in a position to produce an additional 32,000 tons of nitrogen annually, commencing in the spring of 1953, which would be our company's modest contribution to the total program outlined by the Secretary of Agriculture and approved by the DPA.

In other words, if we are unable to replace the nitric acid units at Charlestown and are not able to secure the steel and other controlled materials essential to the construction of our Vicksburg Works, then our production of nitrogen for agriculture will be approximately 64,000 tons of nitrogen short of our goal for the year commencing July 1, 1953. Some 64,000 tons of nitrogen is equivalent to approximately 192,000 tons of fertilizer-grade ammonium nitrate, or to approximately 160,000 tons of nitrogen solutions.

Everybody is aware of the current sulfur shortage—we just had an excellent exposé of that situation—and the importance of sulfuric acid to the fertilizer industry, its largest user. It might be well to point out at this time that additional nitrogen solutions capacity would, to some extent, take the place of ammonium sulfate, made from sulfuric acid, which is now going into mixed fertilizer. It may also be pointed out that nitric acid can be used for the direct acidulation of phosphate rock—and this process may be of interest to the Atomic Energy Commission as well as to agriculture.

After the expenditure of a good deal of time and money, we have just completed the financing of the new Vicksburg plant, we have deposited the money in the bank, we have the experience and know-how, we own the plat site and anxious to proceed. Our plans are well along, and we are ready and able to start, entirely with private funds, construction of a new plant to produce more nitrogen for agriculture. Despite all the efforts of the Department of Agriculture for the over-all nitrogen expansion program, and their able assistance in our own particular case, we now find our program stopped cold. If nitrogen is essential to agriculture, then we want this committee's help. If there is more essential use for the Government's idle nitric acid units or a small fraction of the Nation's steel production, then we would like to know the facts. If we are to curtail production of agricultural nitrogen and abandon our plans for expansion, we will take our loss, along with agriculture, the industry we are trying to serve. If, on the other hand, an adequate supply of nitrogen for agriculture is important to the Nation's over-all well-being, then we earnestly solicit the help of this honorable committee.

The CHAIRMAN. Now, Mr. Spencer, as I understand your statement with respect to the Charlestown plant, you are now operating that, and do you know of any other idle plants where the Government could probably obtain the material that could be obtained by a reconversion of your Charlestown plant to prewar use?

Mr. SPENCER. I have a list, sir, made up from the best of our own information and the public records that are available to industry of the ordnance plants, which could be taken, nitric acid units, and according to our estimates, which I believe is approximately correct, those facilities represent about 5,544 daily tons of nitric acid capacity, or it represents about between 96 and 100 nitric acid units. I am talking about 4—somewhere in there between 96 and a 100 in that reserve.

The CHAIRMAN. In other words, the supplies, then, of nitric acid could be obtained from those facilities rather than have you dismantle and have the Government recapture the plant that you have adjusted to the production of fertilizer; is that right?

Mr. SPENCER. Let me correct that to this extent: That of these idle plants, of which West Virginia is a good example, there are no other facilities there—power, utilities, transportation facilities and what

not. These are just idle nitric acid units. There is no source of ammonium there, and the expedient thing to do is dismantle those plants and move them to a going ammonia plant and have them there in conjunction with a going ammonia plant.

The CHAIRMAN. The point I was going to make was rather than disrupt your production——

Mr. SPENCER. You mean move the——

The CHAIRMAN. In other words, wouldn't it be advisable or maybe more beneficial to defense if the Government were to utilize the plants that are now idle in order to produce the product that would be produced by a reconversion of your plant?

Mr. SPENCER. That program would certainly fit our schedule.

The CHAIRMAN. Forget yourselves. I am not talking about the Spencer Chemical Co. I am talking about for the interests of the Government as a whole and industry as a whole. Wouldn't it be better and more advantageous to defense and everybody concerned if the Government should try to reactivate those firms that are idle?

Mr. SPENCER. That wouldn't disturb commercial operations.

The CHAIRMAN. Rather than go back to the recapture clause and get your plant.

Mr. SPENCER. I think it would be a very desirable program.

The CHAIRMAN. Would you put in the record for us such plants, if you have them, and if you have not, I guess it could be obtained, such plants as are now idle that could furnish the Government with this nitric acid that is necessary for the production of ordnance?

Mr. SPENCER. I will be pleased to furnish that record of the ordnance facilities.

The CHAIRMAN. Thank you.

(For material referred to above, see p. 132.)

The CHAIRMAN. Are there any questions?

Senator KEM. I would like to ask Mr. Spencer some questions. You say this plant at Charlestown, W. Va., is idle?

Mr. SPENCER. Yes, sir.

Senator KEM. How long has it been idle?

Mr. SPENCER. A number of years. Since 1945, I believe—nearly 6 years.

Senator KEM. It is grown up in weeds and rust?

Mr. SPENCER. It is an abandoned plant, and there has been a minimum of maintenance done there, and the bulk of the plant has been dismantled and cannibalized, but the nitric acid units are there, the portions made up of stainless steel are still there and could be inspected by the committee.

Senator KEM. I wonder if any pictures are available of the plant in its present condition?

Mr. SPENCER. Well, Senator, that is an interesting question. We attempted to go down there and get pictures of that plant for this committee but we were asked not to take our photographers in. We haven't access to it at present.

Senator KEM. I suppose it would be open to access to the committee.

The CHAIRMAN. We are going to have a witness from Ordnance to go into those details. That is why I am asking he furnish the committee with these various sites, and when he comes up here, we can examine him on the matter.

Senator KEM. From your statement you seem to have reached a dead end in the present Government agencies. Is there any review open to you or to this committee that we could ask to have the matter reviewed by—any authority that might review it?

Mr. SPENCER. At the Ordnance level, General Davis has been very considerate of our problems, gave us a good deal of time, but he said his hands have been tied, that these idle nitric acid units have been frozen.

Senator KEM. Could it be reviewed by the Munitions Board?

Mr. SPENCER. I should think that would be a proper procedure. If there are good sound military reasons that we don't know about that those should be held in reserve, of course, as any good citizen, that takes priority.

If there isn't a sound reason for their being held in reserve, then I think here is an opportunity to help industry which is going to serve agriculture.

Senator KEM. I wonder, Mr. Chairman, if we might not suggest that it be reviewed by the Munitions Board.

The CHAIRMAN. You mean his——

Senator KEM. The general situation.

Mr. SPENCER. The general freeze.

The CHAIRMAN. What I might suggest is that copies of the statement filed by Mr. Spencer with the committee be furnished to this Board as well as anyone else you might suggest. We are trying to assist you. That is the purpose or one of the purposes of this meeting.

Of course, we do not want to act as a liaison between Spencer Chemical Co. and the Government, but at the same time we want to try to assist the industry as a whole.

Senator KEM. Of course. I do not want to be in a position of holding any brief for these people, the Spencer Chemical Co., but I want to say for the record that we in Kansas City are proud of the Spencer Chemical Co. and proud of Kenneth Spencer. He is a leader in all sorts of civic, business, and philanthropic activities in our city and you can be sure the statements he makes in here are exactly as they purport to be.

I can vouch for them.

The CHAIRMAN. Speaking personally, since I do not want to bind the committee as its chairman, but I believe that we can assist the Spencer Chemical Co. at least in saving its present facility at Charlestown where you produce this 32,000 tons and give them a push for the Vicksburg facility through the assistance of Senator Eastland, who is also a member of this committee.

He is interested in Vicksburg. Why you selected Vicksburg, I do not know.

Senator EASTLAND. That is better than it is just across the river.

The CHAIRMAN. We might be able to assist you.

Senator EASTLAND. You understand that he is not going to ship any nitrate west of the river.

The CHAIRMAN. Because of that 50-cent charge for crossing the river—the freight charge.

Senator EASTLAND. What does the industry anticipate agricultural consumption of nitrogen will be in the next 5 years? How much will it increase?

Mr. SPENCER. We concur in the exhibits of the Secretary yesterday.

Senator EASTLAND. But what is your estimate of it?

Mr. SPENCER. Of nitrogen only?

Senator EASTLAND. Yes; the increased consumption of nitrogen by agriculture.

Mr. SPENCER. I think that it is at the rate of at least a hundred thousand tons a year. You asked for 5 years. I would pay 500,000.

Senator EASTLAND. It is a million four?

Mr. SPENCER. I mean an increase of 500,000 tons within the next 5 years, I think, would be a conservative statement above our present production.

Senator EASTLAND. It would be about 20 percent?

Mr. SPENCER. That is right, sir.

The CHAIRMAN. Is Mr. John Lynn present?

Mr. LYNN. Yes, sir.

The CHAIRMAN. Step forward, please.

I understand that you have a statement?

Mr. LYNN. We know that you are pushed for time, Senator, and would like to file that statement and introduce, if I may, Mr. George Scarseth, who does not have a prepared statement but will be able to answer some questions and present a chart or two which we think will be of interest to the committee.

The CHAIRMAN. Without objection, the statement will be placed in the record at this point.

(The statement of Mr. Lynn is as follows:)

STATEMENT FILED BY JOHN C. LYNN, ASSOCIATE DIRECTOR, WASHINGTON OFFICE, AMERICAN FARM BUREAU FEDERATION

It is obvious that increased foreign and domestic demand for the products of American agriculture necessitate increased production per man and per acre.

It is equally obvious that increased use of fertilizer is a key factor in increasing both production per man and production per acre.

Increased demand of farmers for fertilizer has substantially outrun the ability of the fertilizer industry to meet such requirements. All indications point to a continuation of this situation during the next few years.

A steady expansion in the production of fertilizers, both in the United States and in other countries, is needed, such expansion not primarily in the interest of farmers; instead the general welfare and the national mobilization effort requires that this action be taken.

We are familiar with the consideration of this problem which has been given by various agencies of the Government, including the Department of Agriculture, the Economic Cooperation Administration, the Bureau of Mines, the National Production Authority, the Defense Production Administration, and others.

We have no criticism of these efforts, nor any recommendation that any different approach or emphasis should be undertaken. In general, it appears that what can be reasonably done is being done.

We recommend the following continuing objectives, without any inference that these objectives are not being or will not be accomplished:

1. Understanding consideration by NPA and DPA in the handling of applications for approval of construction, to the need for continued expansion of basic fertilizer productive facilities, consistent with the competing demands of other essential industries.

2. Continued efforts by the Bureau of Mines and Defense Minerals Administration to promote expanded production facilities, and in particular the production and recovery of sulfur and sulfuric acid.

3. Continued research by the Tennessee Valley Authority on the production of improved high-analysis fertilizers, and, specifically, research and promotion of the production of phosphate fertilizers by processes not requiring the use of sulfur or sulfuric acid.

4. Expediting by the Department of the Army of the reactivation of the ammonia capacity of the ordnance works at Morgantown, W. Va.

5. Continued efforts by the Department of Agriculture to promote the development of domestic production of fertilizing materials and to eliminate any existing bottlenecks preventing the increased import of foreign fertilizing materials.

6. Expediting of research by the United States Coast Guard or other agencies with respect to the explosibility of ammonium nitrate and mixtures of other materials with ammonium nitrate to the end that existing impediments to the importation of such materials may be eliminated to the extent warranted by the results of such investigations.

7. Continued educational work by the Cooperative Agricultural Extension Service with respect to the time and manner of most efficient use of fertilizers, with particular reference to the elimination of component materials thereof which have been demonstrated under the particular circumstances to have little value and the economic savings involved in use of high-analysis materials.

8. Continued research work by agricultural research institutions with respect to the most effective use of materials, with particular reference to the development of accurate placing machinery and methods suitable for various crops and conditions.

9. Continued efforts by the Economic Cooperation Administration to expand the production of fertilizer materials in other countries both for use in such countries and as a means of acquiring dollar exchange.

Important as these demonstrational and coordinating activities of Government agencies may be, it is obvious that it is to the fertilizer industry itself that we must necessarily look to supply our future needs, and it is the industry itself which must actually provide the initiative and leadership in developing productive capacity of fertilizer materials which will meet the future needs of agriculture.

On behalf of the American Farm Bureau Federation, we would like to express our appreciation to the Senate Committee on Agriculture and Forestry for focusing attention, by means of this hearing, on the importance and significance of increased fertilizer supplies to agriculture and to the general welfare. We believe similar hearings dealing with other major agricultural supplies and facilities will be helpful.

I would like to present to the committee Dr. George Scarseth, director of research, American Farm Research Association, who is a recognized authority on fertilizer and soils. He will discuss the technical aspects of the fertilizer situation and will answer any questions members of the committee may wish to ask.

The CHAIRMAN. All right, Dr. Scarseth. Please identify yourself for the record.

STATEMENT OF DR. GEORGE SCARSETH, DIRECTOR OF RESEARCH, AMERICAN FARM RESEARCH ASSOCIATION, CHICAGO, ILL.

Dr. SCARSETH. I am George Scarseth, and I am director of research for the American Farm Research Association. That is a foundation of the American Farm Bureau Federation. I am a soil scientist and an agronomist, having had some years of service at Purdue University, Alabama Polytechnic at Auburn, Connecticut Agriculture Experiment Station, and for the United Fruit Co. and Standard Fruit Co.

When I was asked to come to meet with this group this morning, I felt proud of being an American citizen who can use this procedure of appearing before this kind of a body to present facts to people who are concerned with vital issues of agriculture.

Now, I have prepared a chart here as a little background that concerns all of us. We have here a situation that indicates the population trend, and we shall talk about the time Columbus discovered America, with a million people. It took 200 years for the population to double.

That brings us to 1700. Then it doubled in 90 years; then it doubled in 25 years; then it doubled in 25 years again, to bring us up to

16,000,000 in 1840. Then it doubled in 20 years. We are getting bigger figures today to double. Then it doubled in 35 years to bring us up about the time of 1895, when we had 64,000,000. Then in 40 years it doubled. That brings us to 1935, when it was 128,000,000 and today we have roughly 152,000,000. If we should double our population in the next 50 years, we will have something on the order of 300,000,000 people.

There is going to be a lot more people in America or we will have to explain what happened to them—why aren't they there?

Now with respect to food for these people, it is very difficult to give you a picture of the North and the South and the West, but let's take one viewpoint now of the Corn and Wheat Belts, the black prairie lands.

The fertility and productivity of that area has largely been a factor that has come from inherited soil fertility.

The productivity of much of the Southern States, the Cotton Belt States, has been pretty much what the management of man has put into the land.

The land was not endowed by nature so richly, with the exceptions of some of the river deltas, the Black Belt, and some of the muck soils in certain areas.

By and large the great productivity of the Middle West is actually seriously threatened because a drop in organic matter has been very carefully measured by different experimental stations that in about 50 or 60 years of agriculture the organic matter will drop about 50 percent.

It was 5 percent when you started out. In about 50 years, it will drop to 2½ percent. If it was 2 percent and it dropped to 1 percent, and so on——

The CHAIRMAN. Can it be replenished?

Dr. SCARSETH. Indeed. I am coming to that.

Now in the last 10 years there has been a tremendous stride in know-how in new facts from research to take land and make it highly productive. That has been eagerly picked up in the Southern States especially in that we have now research data that they can make a hundred bushels of corn on many of the acres in the South where the corn yields have been as low as 12 per acre.

In Mississippi it is true. North Carolina has raised their corn yields in a tremendous manner. You will be interested to know that just at the current time, still using corn as an example again, that we have about 85 million acres in the Nation in corn. The national average corn yield last year was about 38 bushels per acre. Now we can't blame that onto the South any more. The records show that in the year 1950 the State of Virginia made more corn on the average acre than did the State of Iowa.

Virginia made 49 bushels of corn per acre and Iowa made 47.

The opportunity for taking land and increasing the yields on land is terrific. In the Middle West and in the South and in the irrigated areas it is more spectacular because the question of rainfall is removed. Even the problem of disease is not as serious as it used to be from the standpoint of know-how. We can handle a lot of diseases we used to have to put up with.

Now we can spray, we have improved varieties through breeding to be resistant to certain diseases.

Now just a word about the fact that we are now finding ourselves—for instance, this spring the Department of Agriculture asked for more corn production, asked for about 11 percent more land in the Corn Belt to be plowed for corn.

We have now about, as I said, 85 million acres in corn. It looks like it will produce this year something like 3.2 billion bushels on this 85 million acres.

That is about 38 bushels per acre average.

Now if we should have more use for the know-how that we have in the Nation on this crop, it could be true in the other crops, too, and in livestock, we could easily get 4 billion bushels from this same acreage without actually plowing up more land, which is subject to erosion, if we only would increase the average yield by 9 bushels per acre to bring the national average up to around 47 bushels national average.

However, it is unrealistic to think you could get a hundred percent of the farmers to increase their yield by 9 bushels per acre. If you would think in terms of, let us say, one-fourth of the farmers of the Nation should increase their yields by 4 times 9—in other words, 36 bushels more per acre, if one-fourth of the Nation's farmers, if they are making 50 bushels, if they increase their yields to 86; if it is 20 bushels, they could increase it to 56 bushels; if they are making 90 bushels per acre, they could increase it to 126. That is not an unrealistic thing to do. On top of that it is a highly economic thing to do. But it cannot be done without a great quantity of adequate fertilization.

In a system of management that has proper regard for the making or organic matter in the rotation, so that we have a better moisture distribution and all those things—that is pretty well worked out in his country by our experiment stations and the educational forces that are carrying it out.

Now in my years of association with the farm problem and as a specialist trying to know something about the fertilizer picture, it has impressed me that never up to the time of the last 10 years have farmers been so conscious of or so keen about using fertilizers and the reason for that is that it has paid them so well to do it.

I will take another example with this chart, if I may take the time. I will still use corn as an example.

Now, all farmers and all agronomists and all people that are acquainted with the production problems of agriculture like this concept of balanced agriculture, of which I consider the key to be more efficient production on a durable basis so we do not hurt the land, we keep improving the land and save it for this good American word, "profit." That is quite an incentive to people. It pays the bill. It is handy to have.

Now, let us consider an example with corn. Let's take the common practice where we have a great deal of still inherited soil fertility in which the practices that are used are just using a little starter fertilizer like 150 pounds per acre of such a common grade as a 3–12–12. Now that is not a fertility maintenance program; that is a stimulant quantity to give the little plant a boost, to get the little plant started out well, make more roots, and if there is considerable productivity in the land, it is just like it has a lot of hands going into the soil cupboard to get the food.

Suppose a man has 40 acres and is producing 80 bushels of corn. I am personally distressed that these are soil-depleting practices. The land will not be maintained with the practices that only produce 80 bushels in the Corn Belt.

That would produce 80 times 40 which would be 3,200 bushels at a cost——

The CHAIRMAN. What should it be? State it for the record.

Dr. SCARSETH. I have no other data than the $30 cost per acre. This is from experimental work. That is $1,200 to make 3,200 bushels.

Now with the increased use of nitrogen, phosphorus, and potash, along with the other farm management practices, it is efficient, it is economical, it is profitable to make 30 bushels extra on 80-bushel land by using these newer practices to bring the yield to 110.

Therefore we will be producing the 3,200 bushels on 29 acres instead of on 40, thereby saving 11 acres for other purposes, for pasture, on which they can make just as great opportunity there in the North and South as well.

In California they are actually pasturing land that is costing in the neighborhood of a thousand dollars per acre.

Now, the cost per acre would be higher because it means you have to purchase more plant food and materials.

However, the total cost to make the 3,200 bushels would be less by about a hundred dollars; and so we obtain these objectives—more on fewer acres, we save on production costs, we save on labor, we save land to use for other purposes, and we achieve soil conservation as a by-product of a good system of farming for profit.

This is a chart that I presented in 1948 before the joint committee, and bring it up again today because it is interesting in retrospect because we are facing a problem today, but we always have the future and it shows how we have still had to raise our sights above what the best authority we had could give us.

Here we have the actual use of nitrogen. In 1921 it was a little over 400 tons, when the gross farm income was at about $11,000,000,000, just the gross income. Then here we have 1944, getting up to around 600,000 tons, and in 1948 we were using 850,000 tons, and farm income was right at a gross of 35 billion.

At that time we estimated that, if there had been more material available, farmers would have purchased about 150,000 tons more fertilizer.

Senator JOHNSTON. What percent would that be that they would have bought over the amount they did buy?

Dr. SCARSETH. They purchased 850,000 tons, and it was estimated they would have purchased 150,000 tons more. At that time the Department of Agriculture and the land-grant colleges got out data on the estimated need for nitrogen on the basis of a conservative agronomic need, and it is interesting that that figure was set at 1,161,000 tons. And yet in 1950 agriculture used about 1,250,000 tons, when the agricultural gross income was just $26,000,000,000, much less than in 1948, because the costs were so much higher.

Senator JOHNSTON. For the purpose of encouraging the farmer to buy nitrogen, is there any chance to reduce the price of nitrogen fertilizer? What is the profit on nitrogen fertilizer now?

Dr. SCARSETH. I am not in a position to say.

Senator JOHNSTON. Who does know?

The CHAIRMAN. We will develop that as we go along.

Senator JOHNSTON. I would like to know that. As we go along, if we reduce the price, it would encourage them to use more.

Dr. SCARSETH. This last year when they did purchase 1,250,000 tons I do know that I bought some nitrogen myself, and I paid $86 a ton on it, and I am going to make some money on it, and I will make attractive money on it. I had a ton left over and let my neighbor have that for $86, but another fellow said, "Why didn't you let me know? I would have paid a hundred dollars for it."

It shows that there was more demand than supply even at that rate. A farmer would like it cheap, and so would I; but I merely am giving you the facts as they are. Even at the present price it has paid, and has paid attractively.

The CHAIRMAN. Any further questions?

Thank you very much.

Dr. SCARSETH. Thank you, Senator.

The CHAIRMAN. All right, Mr. Peer. Step forward.

STATEMENT OF GEORGE PEER, DIRECTOR, FARM SUPPLY SERVICES, NATIONAL COUNCIL OF FARMER COOPERATIVES, WASHINGTON, D. C.

Mr. PEER. My name is George Peer.

I am director of farm supply services, National Council of Farmer Cooperatives, Washington, D. C.

The Council is a voluntary association of farmers' business organizations. Its membership includes approximately 5,000 local cooperatives serving about 2,600,000 farm families in every State of the United States.

I will confine my remarks to the immediate fertilizer problem.

Nitrogen supply is limited only by plant capacity. The Department of Agriculture and the Chemical Division of NPA are in agreement that annual capacity should be expanded as soon as possible by 700,000 tons. Necessity certificates for 500,000 tons for agricultural use have already been issued. But not one ton of steel has been allocated by NPA for the construction of these facilities, unless it was done in the last few days. It has been necessary for the Department of Agriculture to draw on its supply of steel for badly needed food-processing plants to get construction started on about 250,000 tons of nitrogen capacity. We recognize that the supply of structural steel is critically short, and will undoubtedly remain so throughout most, if not all, of 1952. Yet nitrogen, which the Senate Banking and Currency Committee itself placed second in importance to steel in its report on the Defense Production Act of 1950 (S. Rept. 2250), has not been given a place in our gigantic industrial-expansion program. Basic producers account for 68.9 percent of the total value of new facilities for which construction has been authorized under the rapid tax-amortization program. It seems entirely without reason that expansion of nitrogen capacity has not been included in this program, first, because of the tremendous increase in food production which it will bring about; and second, because of added capacity to produce munitions which these facilities would provide in time of all-out war.

It is also unfortunate that all nitrogen-plant expansion is being encouraged through necessity certificates alone. This, of course, will have the tendency of confining expansion to the few existing large producers of nitrogen. The section 302 loans which Congress has authorized to encourage business expansion in the emergency should be made available to qualified applicants to assist expansion of the nitrogen industry.

The phosphate supply presents a more serious picture. If one assumes that the Office of Price Stabilization will maintain a ceiling price on sulfur at or close to present levels, then all other available information tends to the conclusion that supply cannot be expected to improve materially, relative to increasing demand from both industry and agriculture, for a period of at least 2 years.

The depletion of our brimstone domes in itself appears to be a certain indication that the long-trend price for sulfur will continue to rise in relation to other materials. Therefore, it is desirable that every reasonable inducement be extended the fertilizer industry to lessen its dependence upon sulfuric acid. Under certain conditions the nitric-acid and electric-furnace treatments of phosphate rock are economically feasible alternatives today. Unfortunately, the shortage of nitric acid, stainless steel, and the combination of cheap power with a plentiful supply of coke may postpone for several years any large-scale production of phosphates without the use of sulfuric acid, unless special priorities assistance is offered.

The phosphate problem today is primarily one of first determining agriculture's share of total sulfur supply. It must be kept in mind that there is no large-scale substitute available now for the sulfuric-acid method of treating phosphate rock. Larger amounts of ground raw phosphate rock could and should be used on pastures, principally on the Southeastern States, but lack of adequate scientific data is preventing greater use of ground rock than may be common practice several years from now. Second, the distribution of sulfuric acid among fertilizer manufacturers needs to be substantially improved.

The Department of Agriculture has recently issued a series of approximately 1,000 tables relating fertilizer use to crop yields by State and by crop throughout the country. A more significant guide to efficient fertilizer practices has in all probability never been made on such a scale. These tables are indirectly a timely guide to a more efficient use of sulfuric acid. As direct military requirements for sulfur expand, it will become increasingly important to use phosphates where the return in food and fiber is greatest.

It should be recognized at the outset that these tables indicate that it would be possible, temporarily, to conserve a considerable quantity of phosphate without materially affecting production. This must be averaged against over-all requirements which, on the basis of past usage, can be expected to increase sharply over the next few years.

Distribution of sulfuric acid up to the present time has been carried on almost entirely at the discretion of producers of sulfuric acid. They have supplied their customers on a historical basis insofar as possible. Since the amount of sulfuric acid available for agricultural uses has been a bit higher to date than in 1950, largely as a result of inventory depletion, the 1950 pattern of distribution has been in large measure preserved. It would undoubtedly be possible to maintain an effective voluntary distribution, so long as supply and demand for

sulfuric acid in agriculture do not get far out of balance. Even so, there have been disruptions in the distribution pattern since Korea which have exerted an undue hardship on many fertilizer manufacturers. They appear to be largely the result of these factors:

1. Priority-rated orders have not been distributed evenly among all producers of sulfuric acid. There is no ceiling on the number of rated orders which a sulfuric-acid producer must accept. Consequently, many acidulators have had their supplies cut drastically. But fertilizer manufacturers whose production of sulfuric acid is largely consumed in their own operations or who are predominantly users of spent acid have, for the most part, fared much better than their competitors who are supplied by the major producers of acid.

2. Numerous fertilizer manufacturers have found themselves with a relatively low history of usage during the base period elected by their sulfuric-acid supplier, for reasons entirely beyond their control. They have been virtually 100-percent unsuccessful in getting any priority assistance from the National Production Authority. This situation goes uncorrected on the grounds that priority assistance would be interfering with our free-enterprise system. This is said in spite of the fact that a manufacturer's current supply position may actually reflect a disruption of the normal competitive relationships which would exist in a free economy.

3. TVA production of triple superphosphate has been sharply curtailed, as the Army draws on TVA for 50 percent of its requirements for elemental phosphorus. One effect has been to materially reduce the quantity of phosphate distributed by several midwestern farmer cooperatives.

The following action needs to be taken immediately by the National Production Authority:

1. NPA should place a ceiling on the percentage of a sulfuric-acid producer's output which must be set aside to fill rated orders. This would more evenly distribute the load and would place a fair share of the burden on "captive" production, which, except in the case of the largest plants, has been largely untouched by priority orders.

2. The Chemical Division should make appropriate adjustment of hardship cases, as is common practice elsewhere in NPA.

3. NPA should require merchant-producers of phosphate to treat their customers on the same basis as they treat themselves. Otherwise, the temptation is great to pass the entire burden of a short supply on to customers—usually small dry-mixing plants.

4. The military should take its requirements for elemental phosphorus from all producers on an equal basis.

Unless effective steps are taken along the lines proposed above, the need to put sulfuric acid under complete allocation to fertilizer manufacturers will become inescapable. This is a course which NPA earnestly hopes to avoid, although it may be impossible to do so under any circumstances if supply decreases much further in relation to demand.

Should we be fortunate enough to escape the need for extensive allocation of sulfuric-acid supplies in the future, the National Production Authority is nonetheless obligated to adjust the inequities in the present voluntary-allocation system, and to decide how much sulfuric acid

is to be used by agriculture. It is regrettable that the Department of Agriculture has not been told where its requirements for sulfuric acid fit in with the over-all supply. Under the circumstances, it has unnecessarily complicated the long-range planning of the Department, which is essential if maximum use is to be made of the available sulfuric-acid supply.

In conclusion, it is most important to keep in mind that the only real solution to the sulfuric-acid shortage—the only solution which will permit the natural development in our changing patterns of usage—is an adequate supply in a free market. This will be accomplished only through increased production and a recovery of sulfur, combined with a concerted effort to develop and employ fertilizer-manufacturing processes which do not require the use of sulfuric acid.

The CHAIRMAN. Thank you very much, Mr. Peer. I wish to advise you that the committee is going to have before it next week representative from NPA Chemical Division, as well as the Army, and your suggestions will be brought to their attention for their comments.

Mr. PEER. Thank you, sir.

Senator THYE. Mr. Peer, have you taken this directly up with the Price Administrator and NPA and endeavored to have them see the need for what you have said here?

Mr. PEER. Yes, sir; I am referring to the Chemical Division of NPA and not the Office of Price Stabilization.

Senator THYE. And did they show any friendliness to your proposition, or did they seem not to understand it?

Mr. PEER. They are very friendly people, but they do not show friendliness to our proposition.

Senator THYE. Do they understand it?

Mr. PEER. I do not feel that they understand it. I believe that is the fault.

Senator THYE. If we are short in supply, we must have a just distribution of it if everyone is going to be served in an equitable manner.

Mr. PEER. That is my feeling.

Senator THYE. You feel that you haven't been able to convince them of the fact that there is a short supply?

Mr. PEER. No, sir; we have not been able to.

Senator THYE. Thank you, Mr. Chairman.

The CHAIRMAN. I wish the record to show that Senator Frank Carlson from Kansas was present here a while ago and I regret that I didn't notice his departure. Otherwise I would have asked him to make a comment if he so desired, but I am glad he has shown interest in being present.

Senator THYE. Mr. Carlson will be back. If we did not have a session on right now there would be more Members here, but the floor session commenced at 10 o'clock and some of these men by reason of their interest in the tax bill are faced with the responsibility of being on the floor.

The CHAIRMAN. Mr. James, I understand you can get through in a few minutes.

Mr. JAMES. Yes, sir; it will not take me very long.

STATEMENT OF DELOS L. JAMES, DIRECTOR OF AGRICULTURE-INDUSTRY RELATIONS, THE NATIONAL GRANGE, WASHINGTON, D. C.

Mr. JAMES. My name is Delos L. James and I represent the National Grange which as you know is a farm family membership organization.

I probably should say Dr. Sanders is the Grange representative who handles the legislative work, and he has gone on a 3-month trip to Burma to help them get ready to improve their agriculture.

Senator THYE. Dr. Sanders has been here a great number of times and we are happy to have you here this morning.

The CHAIRMAN. Members of the committee are very well acquainted with his work.

Mr. JAMES. He has done a good work and I am very pleased to have this opportunity. As Senator Ellender will recall, he and I are old-timers at this agricultural situation.

The CHAIRMAN. Yes. We have seen eye to eye for quite some time.

You may proceed.

Mr. JAMES. I haven't attempted to go into the techniques and details with regard to practices and supplies and requirements, because you have that information from other sources. What I want to do is put emphasis on another feature of this whole situation, and I was pleased to hear you say what you did here this morning, that we wanted to get facts in the situation and not have too much delay.

Even though we have not had an opportunity to contact a large number of our members in various States relative to their farm equipment requirements for the next year or two we have been receiving information from many of them and others to the effect that they are having difficulty in obtaining necessary repair parts for some of their machines, also that they are being warned to the effect that new machines for various purposes in carrying on farm work may be difficult to obtain this fall and next spring.

Already some of them, particularly in the cotton-producing area are having difficulty in obtaining farm labor. This situation can be expected to grow more acute in view of the handicaps that are arising in obtaining Mexican labor.

Senator JOHNSTON. Down in South Carolina we are having a lot of trouble getting our cotton picked. It is costing as much as $4 a hundred.

Mr. JAMES. Yes, sir, and that is not going to be effective because the fellow isn't there even to accept the $4.

Senator JOHNSTON. That is true.

Mr. JAMES. Despite the fact that capable labor is urgently needed it is reported that many thousands of Mexicans have been sent home, due to their inability to establish legal entry into the United States.

To me I cannot reconcile a situation like that where for years and years and years and years this type of labor has been permitted to remain in this country and pick cotton and do other things and all of a sudden we say, "You do not belong here, so get back to Mexico."

The CHAIRMAN. It is not us, it is the Mexican Government.

Mr. JAMES. Sir?

The CHAIRMAN. It is the Mexican Government that is raising the objection.

The Mexican Government in the past permitted us to undertake that by simply having our employers to go into Mexico and contract for Mexican labor.

This method of approach has been abandoned by Mexico and they are requiring us now to do it another way. In fact, pursuant to the law now on the statute books.

Senator JOHNSTON. For your information, Mr. James, Senator Ellender went down to Mexico and looked into the situation to see what we could work out if anything to relieve the situation.

The CHAIRMAN. That is right.

Mr. JAMES. That is all right from a legal standpoint there, the new provisions of this law, but that has imposed some handicaps that are contrary to long-established experience in connection with not only Mexican labor but offshore labor.

Those fellows who are here—I understand over 300,000 have been sent out in the last few months.

The CHAIRMAN. Offshore labor other than Mexicans have not been affected by this. It has been done because of the requirements of the Mexican Government and not our Government.

Mr. JAMES. I understand that unless there is legislation passed with regard to the wet-back phase of this thing, that this whole labor program is to be stopped in December.

The CHAIRMAN. Yes.

Mr. JAMES. Regardless of whether cotton is picked or fruit, or anything else, there is something wrong there with that.

With more and more young men leaving the farms for military service and a growing inability to obtain necessary machinery such as tractors, combines, cotton pickers, milking machines, and particularly readily available repair parts, it is only reasonable to conclude that something serious from the standpoint of an adequate supply of feed, food, and fiber is sure to be the result.

It is time now to take a realistic look at the situation and to begin laying plans for the future. I wish to commend most highly the foresight and good judgment of the chairman and members of this committee to proceed at once to get the facts on present supplies and prospective requirements of equipment of all kinds which according to the best judgment possible will be necessary to produce even larger supplies of feed, food, and fiber than yet have been produced.

The nature of agricultural production is such that we can't wait until an emergency has arisen. Failure to have at hand the necessary machine part, the right kind of insecticide, the proper ingredients for fertilizer or numerous other articles required in operating the Nation's big food production plan may mean only partial production or varying degrees of loss at harvest time or in processing the crop after it has been produced.

There was a lot of hay spoiled this year because we did not have enough baler twine. There is a reason for that which can be corrected.

Timeliness in agricultural production is an extremely important factor. The grasshoppers and chinch bugs and alfalfa weevils and their like do not give advance notice of their coming. The only prudent thing to do on the largest scale possible, as has been demonstrated so often, is to be ready for such emergencies and we know how to be ready.

At the present time in order to facilitate the availability of an adequate supply of baler twine, the farm organization officials are requesting Congress to enact legislation which will remove the 15-percent ad valorem duty on baler twine.

It is none too early to remove this handicap in order that we may be more certain of having an adequate supply of twine for next year. We hope that members of this committee will give their support to the legislation now pending and thereby help the farmer with the timely harvesting of his crop.

The National Grange members early recognized the importance of giving attention to the needs of agriculture in order to obtain the greatest possible production. At their annual meeting in Minneapolis nearly a year ago they expressed their views as follows:

> We urge that any national program of defense recognize the need for deferment of an adequate supply of specialized farm workers and for ample allocation of fertilizer and other farm supplies and of steel and strategic materials for farm machinery and repair parts.

It is our belief in the National Grange that the most important step to be taken in planning for the greatest possible food supply is for Congress to determine to the fullest extent possible and just as soon as possible what the needs of farmers may be.

I might say that the folks who are at this time handling these allocation programs, and so forth, are doing so under authority granted by Congress.

If they misinterpret their responsibility and interfere and handicap the production of food and so forth, then I do not see any other recourse other than for Congress to take action to correct that situation, to pass legislation that will, if necessary, specifically determine the course of action that they are to proceed with and the steps they are to take.

The next step is action. The job to be done already has been well outlined by the Secretary of Agriculture, Mr. Brannan.

An excellent job has been done and while some further perfection of details can be made, there is little to be gained by prolonged talk and planning that consumes valuable time but adds nothing to the supply of fertilizer, machinery, repair parts and the like, which over 4 million farmers must have and have when needed if they are to do the job of which they are capable.

That is no reflection on the procedures of this committee because you are getting right at the very kernel of this whole thing. I mean, after this, when we once know all of the details of what is necessary, and so forth, then I say action is necessary.

Senator THYE. Mr. James, I will say I will not endeavor to speak for all the committee, but I will speak from my own experience, from the contacts that have come to my office. I have endeavored to obtain amendment of the law to remove the duty on baler twine inasmuch as binder twine is exempt, to get help for the farmer by deferment of boys where they are essential or where they are needed on the farm, and to deal with a great deal of extra work that has come to my office in my endeavor to help the producers in their specific problems. If it is a question of steel, the Department of Agriculture must, of course, speak for agriculture in fighting for an adequate supply of steel to go into the manufacture of an adequate supply of farm machinery and the repairs for such machinery.

Congress cannot enact a law that will give them steel. We can enact the law, but the administration of the law must come from the proper agencies set up under the law and from our Department of Agriculture, which must speak for agriculture's needs in the matter of steel allocation.

I would say that the Department of Agriculture has done a good job, I am not critical of them, but it is needful that we examine the problem here to make certain we do not slip up and find ourselves in short supply because of an improper allocation of steel.

Mr. JAMES. That is what I was getting at in what I said.

I know all of your have done very excellent work in connection with these various details. What I am getting at here further is this:

The Agriculture Department has done an excellent job in pointing out the requirements but if the other folks who feel they have the authority won't make the allocations and the allocations are made to some other industry and agriculture goes without it, we have to do without the food and fiber supply, so what are you going to do?

Senator THYE. I met personally with Mr. Charles Wilson, and Mr. Manly Fleischmann, and I have told them of the serious situation so far as repair parts for machines are concerned. We also must recognize that new machines must be made available because only 16 percent of our population resides on farms as producers, and that 16 percent is now depending upon machinery. We can't substitute for machinery because we do not have the power such as horsepower other than tractors, and we haven't the men because they are already in factories, in the cities, or in the armed services.

Mr. JAMES. Yes.

Senator THYE. We have to have the steel and we must have baler twine or we are going to suffer as a consumer along with the producer.

Mr. JAMES. What I am getting at is if these folks that have the authority under the act now interpret it in such a way that steel does not go to the right places, then we have to go back to the source again and get authority—legislation, in other words—that says you have to do so-and-so, you have to allocate this or that to the proper place in order that we do not have a national breakdown. That is what I am thinking of.

Senator THYE. Yes.

Mr. JAMES. We have plenty of experience in agriculture to guide us in all fields of activity. There should be no question whatever about priorities. It must be conceded at the very outset that agriculture is our first line of defense. Its production requirements must be met if we are to have an adequate supply of feed, food, and fiber.

Without the necessary food it will not be possible for the laborer in the munitions plant or the soldier and the sailor to do their part. Farmers like to produce on a big scale and can be depended upon to get results when the necessary supplies and equipment are available to help them meet the food production goals so essential in the preservation of our liberty and justice.

The CHAIRMAN. Thank you very much, Mr. James. Are there any further questions? If not, that is all, sir.

We kept you for dessert, Mr. Calvin. Will you come forward, please?

Identify yourself for the record.

STATEMENT OF FRANK N. CALVIN, MANAGER, FEED, SEED, FERTILIZER, AND AGRICULTURAL CHEMICAL DEPARTMENT, FARMERS UNION CENTRAL EXCHANGE, ST. PAUL, MINN.

Mr. CALVIN. My name is Frank N. Calvin. I am manager of the Feed, Seed, Fertilizer and Agricultural Chemical Department of the Farmers Union Central Exchange, a cooperative wholesale, operating with headquarters in St. Paul, Minn., and distributing farm supplies to local cooperative companies in the States of Wisconsin, Minnesota, North and South Dakota, Montana, and small sections of Idaho and Wyoming. Our organization distributed approximately $39,000,000 of farm supplies through local cooperatives in this area during 1950.

Our fertilizer department operates a mixing plant at Winona, Minn., and at Green Bay, Wis. At Green Bay, Wis., we control the production of approximately 65 percent of the total production of a superphosphate plant capable of producing 50,000 tons a year or more, and now producing about half that.

Our organization is a member of the Central Farmers Fertilizer Co. with headquarters in Chicago, Ill. This company is made up of 15 regional co-op wholesales operating in the Midwest. This organization now owns a highly rated phosphate deposit in southeast Idaho which we hope to develop and to establish a processing plant which will produce concentrated phosphate materials as quickly as possible.

Referring particularly to fertilizer, I would like to cite our experience during the past year and also to give some historical record of the growth in the use of fertilizer or plant food materials in the area in which we are working.

The table attached at the end of this testimony shows the increase in fertilizer tonnages—I have included this figure—used in these various States during the period from 1940 through 1950. These figures are obtained from the State statistics gathered by the State control agencies. From these figures you will note that in this 10-year period fertilizer usage in the State of Wisconsin has increased 6 times, in Minnesota 13 times, in North Dakota 12 times, in South Dakota 20 times. In Montana, which has not had access to sufficient supplies of fertilizer, the increase has only been 100 percent.

The first plant food ingredient which becomes deficient is phosphorus, and in each of these States, the first applications of fertilizer made by farmers were of phosphorus materials. After using phosphorus materials a short time and supplying a portion of the deficiency it soon becomes evident that the other main plant foods, nitrogen and potash become deficient. The general development of the use of fertilizer in an area progresses first from the application of straight phosphorus material to the application of phosphate, potash materials, and finally to the application of all three, nitrogen, phosphate, and potash. The development of the fertilizer business in this area has developed along these lines. Phosphate requirements usually exceed in tonnage the requirements of the other two ingredients. In our own operations during the past year, we have been very short of phosphate materials. The most commonly used phosphate material is run-of-pile superphosphate containing about 20 pounds of available phosphorus to the hundred. When this material becomes the foundation of any fertilizer supply program, the making of superphosphate re-

quires approximately 45 percent sulfuric acid and about 55 percent of phosphate rock.

In our operation, partly because of the short supply of virgin sulfuric acid, we have been, for the last 2 or 3 years, using spent sulfuric acid to the extent of about 60 percent of our requirements. Fortunately, we have been one of the few who were willing to use this material. Now that sulfur has become so short, and therefore production of virgin sulfuric acid has become short, we are not handicapped quite so much as we would be if we had originally used all virgin sulfuric acid.

The CHAIRMAN. What do you mean by spent sulfuric acid?

Mr. CALVIN. It has been used in steel mills and it comes out in the steel and we have been using it for fertilizer.

The CHAIRMAN. Why doesn't the industry as a whole use more of it?

Mr. CALVIN. There is not much of it. It is refuse from the steel mill.

The CHAIRMAN. Do you know of any part of it going to waste?

Mr. CALVIN. No.

The CHAIRMAN. It is all being used?

Mr. CALVIN. I think so.

The CHAIRMAN. Go ahead.

Mr. CALVIN. It happens that the steel mills which make use of the virgin acid and have a refuse of spent acid are receiving favorable consideration from the Government in obtaining their supplies of virgin sulfuric acid and seemingly get an increase in materials, thus making available a slight increase in spent acid which we are using. This makes it possible for us to anticipate for this coming year receiving at least as much spent acid as we received last year, although we will be reduced on the amount of virgin acid which we will receive. We anticipate, because of these conditions, obtaining approximately the same amount of single superphosphate for this coming year which we obtained last year. In this connection I might say that those plants which have not used spent acid may be handicapped this coming year, on account of a shortage of virgin sulfur.

These remarks are based on no changes of allocations because of Government programs. The area which we serve is a great distance from the points of origin of the basic materials required to make mixed fertlizer. From the standpoint of economics it is to the advantage of all of us to obtain our fertilizer materials in as concentrated a form as it is possible to get them. The primary reason for this is the saving of freight charges. Freight charges being increased as rapidly as they have been recently makes any savings from this point of view desirable.

Concentrated ingredients make possible what is termed "high analysis fertilizers" which, in addition to the freight advantage, also give an advantage in the utilization of labor, making it necessary to handle a much smaller volume of material to obtain the same plant food. To the farmer, labor is a very important portion of his expense.

Superphosphate made in a concentrated form or in the form of treble superphosphate will give better than 2¼ times the concentration of available phosphorus plant food to that available in single superphosphate. The production of treble superphosphate in the whole country is probably one-tenth of the total production of single super-

phosphate. Because of its necessity economically in our area, we are particularly anxious to obtain it.

We have been working with the Tennessee Valley Authority and with the State colleges for several years in educating farmers to the economic advantages of using high-analysis concentrated fertilizers, both for application as straight treble superphosphate, or for applications in mixtures containing also nitrogen and potash and furnishing plant food in excess of 25 units, or percent, of available plant food to the ton. We endeavor to increase these percentages to around 40 percent available plant food when possible. Of course, these high analysis mixtures are dependent upon the high concentrated superphosphate ingredients.

Because of the defense production effort, Tennessee Valley Authority fertilizer plant, a Government institution, is required to supply a sizable proportion of their production of elemental phosphorus to the Army, thereby reducing the amount that can be used in furnishing fertilizer treble superphosphate considerably. In view of the fact that we have spent several years in helping the Tennessee Valley and the colleges to promote this program of using high-analysis fertilizers, and have obtained sufficient results on the farms to convince farmers that their use is advisable and in fact, to a certain extent necessary economically, we are considerably chagrined and handicapped this year to have the Tennessee Valley Authority prohibit the use of its concentrated phosphate materials for use in fertilizers which promote the growth of grains such as corn, oats, and wheat. They now restrict the use of their phosphate to pasture, legumes, and legume seeds only.

The supply of feeds is indicated to be somewhat short of enough to feed the livestock which the Government expects to be raised. Anything that would promote extra production of grains would seem to fit into the defense program, and when the TVA prohibits the use of any of the reduced amount of material they are producing, it makes an almost insurmountable barrier to the production which is required and which has been requested by the Government. We admit that the uses for which they desire their material used are worthy and very much worth while and promote a better type of farming over a long period. However, their change in policy has left a complete vacuum in our area for the supply of high-analysis plant food for the grains needed for feeds for livestock.

Other means of producing high-analysis phosphate must be worked out rapidly, and we are making every effort to produce such materials, but this will require quite large plants and facilities which will take time to organize and construct. In the meantime, we wonder what we will use to supply this demand.

From the standpoint of our own operations, and to indicate the effects of the shortage of superphosphate of all types, during the months of March and April 1951 which are the big distribution months of fertilizer, our distribution decrease amounted to $140,000,000 of materials under 1940 and under 1949. In addition to that, we discontinued accepting orders from local cooperatives for treble superphosphate in the month of November 1950, and because of the shortage even then were compelled to cancel orders for over 2,000 tons of treble superphosphate. It is very difficult for us to estimate what amount of these materials would actually be used if available because

we have never had sufficient supply available to solicit orders which might be needed.

In livestock areas until recently it has been thought that by the growth of legumes and full utilization of manure that sufficient nitrogen could be obtained and that it would be unnecessary to add too much additional nitrogen to the soil. Where the volume of production is comparatively low, this may be true, but under the present economy where cost of production must be kept low, the larger volume of production per acre is necessary. One of the important plant foods to obtain this increase in volume is nitrogen.

In our operating area the necessity for the use of nitrogen has not been forcibly promoted by the colleges until very recently. However, experiments in the last few years have definitely shown the necessity of using considerably larger amounts of nitrogen, and the colleges are now endeavoring to educate the farmers of this fact so that the use of nitrogen materials is increasing very rapidly. In Wisconsin, they are promoting the use of equal amounts of nitrogen, phosphoric acid, and potash. In Minnesota they are promoting equal amounts of nitrogen and phosphate. The same is true of South Dakota. We are unable to supply ammonium nitrate which is the chief supply for direct application of nitrogen to the extent required in this area. Larger amounts must be obtained somewhere to balance the plant-food requirements of the crops.

In mixed fertilizers the nitrogen is obtained, to a large extent, from ammonium sulfate. Ammonium sulfate provides what might be called a double-barrel requirement of short ingredients, both ammonia and sulfur. We have been unable to contract definitely for any of this material because of the uncertainty of supply. However, we do hope eventually to obtain approximately the amount that we received the past year. If this is unavailable, it will also influence our supply position this coming year.

Considering our great shortage of both phosphate and nitrogen materials, the potash allocation which we have will probably be sufficient this year. It is not anywhere near enough to supply the actual demand in the greatly deficient potash area in Wisconsin, particularly, but simply because there is not enough of the other material to properly utilize it. New potash production which should be available this year and next year may be sufficient to supply the amounts of potash required. At least it is not so dangerous a situation as the deficiency in both nitrogen and phosphates.

Apparently Farmers Union cooperative wholesalers in other areas are confronted with approximately the same shortages as our own. We have wired wholesalers at Kansas City, Oklahoma City, Salt Lake City, and Denver, Colo., and have these replies.

From Farmers Union Jobbing Association, Kansas City:

Definite shortage exists in Kansas for ammonium nitrate and treble superphosphate fertilizers. Several of our 150 member cooperatives would place from 5 to 10 cars each if available. Grain fumigants scarce and prospects for adequate supply poor. Supply of weed killers inadequate again this year and expect shortage next year.

From Farmers Union seed and fertilizer plant at Salt Lake City:

Have immediate critical shortage this area of treble superphosphate and it is likely to be more critical in spring. Ammonium nitrate looks critical for spring.

From National Farmers Union Service Corp. in Denver:

Ammonium nitrate and treble superphosphate short for this area. We have booked 80 tons of each. Need 1,000 tons. DDT and toxaphene were very short all season. Could use twice as much of these two chemicals or 200,000 pounds technical DDT and 600,000 pounds technical toxaphene. Estimate area 25 percent short of nitrate and phosphate.

From the Oklahoma Farmers Union cooperative at Oklahoma City:

Have critical shortage of all high-analysis fertilizers. Only low-analysis material available at all. Are unable to book anything approaching our needs for next season. Shortage of baler ties and baler twine throughout area has resulted in excessive retail prices on the short supply available. Because use of ties from year to year agricultural chemical situation is uncertain, but if use is normal, supply will be short. There is a great shortage here of implements for two-plow tractors. Large equipment is fairly adequate but small farmers cannot get their needs.

My statement has been confirmed largely to the fertilizer situation, inasmuch as we understand your committee will consider fertilizer, agricultural chemicals, and machines separately. The National Farmers Union will file statements in regard to chemicals and machinery at appropriate times.

The CHAIRMAN. All right, sir. The table is to be included in the record.

(The table referred to follows:)

Fertilizer consumption [1]

State	1940	1941	1942	1943	1944	1945	1946	1947	1948	1949
Wisconsin	64, 253	73, 334	96, 420	124, 508	188, 116	268, 243	302, 293	356, 888	415, 360	328, 888
Minnesota	18, 627	21, 251	25, 135	36, 577	52, 527	107, 363	126, 245	140, 355	214, 987	250, 503
North Dakota	1, 800	2, 100	2, 350	3, 000	3, 050	3, 300	7, 500	18, 000	30, 000	21, 000
South Dakota	500	500	700	500	300	325	2, 500	5, 500	10, 000	10, 000
Montana	4, 500	4, 500	4, 500	5, 000	7, 300	8, 000	9, 821	12, 000	12, 543	9, 284

[1] 1950 is approximately the same as 1948.

The CHAIRMAN. Are there any other questions?

Senator JOHNSTON. No, sir.

The CHAIRMAN. The committee will stand in recess until Monday, September 24, at which time we will hear Mr. Ralph Trigg, M. L. Anshen, E. J. Fanflik, and S. D. Blaeuer.

(Whereupon, at 12: 50 p. m. the committee recessed to reconvene at 10 a. m. Monday, September 24, 1951.)

FERTILIZER—FARM MACHINERY—PESTICIDES

MONDAY, SEPTEMBER 24, 1951

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10:15 a. m., in room 324, Senate Office Building, Senator Allen J. Ellender (chairman) presiding.

Present: Senators Ellender, Johnston, Holland, Aiken, Thye, and Hickenlooper.

The CHAIRMAN. We will proceed. Our first witness is Mr. Trigg.

Mr. Trigg, will you identify yourself, please, for the record.

STATEMENTS OF RALPH S. TRIGG, DEPUTY ADMINISTRATOR FOR PROGRAM AND REQUIREMENTS; AND M. L. ANSHEN, ASSISTANT DEPUTY ADMINISTRATOR, DEFENSE PRODUCTION ADMINISTRATION

Mr. TRIGG. Mr. Chairman and members of the committee, I am Ralph Trigg, Deputy Administrator for Program and Requirements of the Defense Production Administration.

Mr. Chairman, if it meets with your approval, I have a prepared statement here in connection with the responsibilities of the office which I head in the Defense Production Administration with relation to the responsibility of the National Production Authority and this whole problem that we are talking about. If it meets with your approval, I will go ahead with the statement.

The CHAIRMAN. Do you mind being interrupted for questions?

Mr. TRIGG. It makes no difference. I have Mr. Anshen here with me, who has been in the job much longer than I and who is familiar with the entire operation. One or both of us will be glad to try to answer your questions.

Senator AIKEN. He has no prepared statement?

Mr. TRIGG. No, sir.

The CHAIRMAN. Proceed.

Mr. TRIGG. In this period of mobilization of the Nation's resources, the production problems facing American agriculture must be considered along with production problems in all other areas of our economy. The World War II experience made it clear that unless we add up all requirements for critical materials, balance them with available supplies, appraise relative urgencies, and then make allotment decisions, we lose production and fail to meet military objectives.

Using the experience of the War Production Board in World War II, we have set up an organization to balance all requirements against supply in this way and to make the necessary allocation decisions. And we have put into effect a controlled materials plan to assure that these decisions are carried out.

I want to describe this organization briefly and tell you how it functions. I want to describe how allocation decisions are made under the controlled materials plan. And finally, I want to tell you about the decisions that have been made with respect to the needs of agriculture for fertilizer production facilities.

One point should be made clear, however, CMP sets up procedures for putting allocation decisions into effect. It provides a tested set of rules and procedures for establishing quantitative and time-phased controls over the distribution of steel, copper, and aluminum, as well as other materials and products. It does not determine what share of the supplies of critical materials shall be allocated to meet military requirements, or the needs of defense-supporting industries or of the civilian economy.

These program decisions, which are put into effect through the CMP mechanism, are made independent of the CMP procedures. It is these program decisions that are the prime responsibility of the Chairman of the Requirements Committee. In making these decisions, he is assisted by the staff of the Office of Program and Requirements, DPA, and by the staffs of the National Production Authority and of a number of other agencies. He is given particular counsel by the interagency requirements committee whose members represent the major functional areas of our economy.

The Office of Program and Requirements, Defense Production Administration is responsible for (1) determining military, defense-supporting, and civilian requirements for materials in short supply; (2) determining the supplies of these materials available to meet these requirements; (3) formulating plans for expanding supplies of these materials so that current shortages will be eased as rapidly as possible; and (4) recommending to the Chairman of the Requirements Committee the quantities of these materials to be allocated to the agencies to which responsibility has been delegated for distributing materials in accordance with approved program decisions.

In the simplest terms, the Office of Program and Requirements works with the Department of Defense, the Production and Marketing Administration of the Department of Agriculture, the Petroleum Administration for Defense, the Defense Electric Power Administration, the Defense Minerals Administration, the National Production Authority, the Maritime Commission, the Defense Transport Administration, the Federal Security Agency, and a number of other agencies in translating their requirements for production, construction, and maintenance and repair into tons of steel, copper, and aluminum.

These requirements are presented in uniform terms and time periods. They represent the material input required to build the schedules of military items laid down by the Department of Defense; to produce petroleum and refine, store, and transport petroleum products; to generate and transmit electric power; to build locomotives, freight cars, boats, and trucks; to produce machine tools, engines and turbines, electrical and electronic equipment, agricultural machinery, and all other kinds of industrial and consumer-type products; to

build new steel, aluminum, chemical, and other plants; to construct hospitals, schools, and highways; and to repair and maintain existing plant and equipment.

The staff of the Office of Program and Requirements reviews the methods used by all participating agencies in compiling their material requirements. This includes the bills of material and other devices employed in translating end items into contained steel, copper, and aluminum; the lead times allowed from raw materials input to end-product delivery; and the assurance that all needs are covered, without duplication or omission. Since the total demand for materials to meet military, defense-supporting and civilian needs exceeds the supplies available to meet these needs, the staff appraises submitted requirements to identify more urgent needs and distinguish them from less essential and deferrable needs.

On the supply side, the staff reviews the estimates prepared by the materials divisions of the National Production Authority of the quantities of steel, copper, and aluminum that can be produced. This includes the study of producing and fabricating facilties, and the availability of alloying materials such as nickel, molybdenum, tungsten, chrome, tin, zinc, and chemicals. Where necessary and feasible, the staff prepares recommendations for expanding supply.

Finally, using all available information and the expert knowledge of the staffs of participating agencies, the Office of Program and Requirements analyses supply-demand unbalances and assists in the program decisons that direct specific quantities of controlled materials in each calendar quarter to meet miltiary, defense-supporting, and civilian requirements. These program decisions specify the amounts of steel, copper, and aluminum that the operating agencies are permitted to distribute to individual manufacturers and contractors.

The Office of Program and Requirements works with Government agencies. It does not deal directly with individual business concerns. That relationship is assigned to the agencies that are responsible for operations; the Department of Defense with respect to military prime contractors; the divisions of the National Production Authority with respect to manufacturers of industrial equipment and consumers' goods; the Maritme Commission with respect to the construction of ocean-going ships; the Defense Electric Power Administration with respect to public utilities; the Federal Security Agency with respect to the construction of hospitals and schools, and so forth.

From the time of its first organization, it has been the continuing objective of the Office of Program and Requirements to avoid duplication of staff. We have made the greatest possible use of the experienced and expert staffs of existing agencies.

The responsibility for allocating scarce materials is a serious one. In an economy as complex as ours, the job of deciding the quantities of materials necessary to assure the completion of defense production on schedule, of balancing machinery and equipment with the construction of new manufacturing facilities, of appraising relative urgencies and putting first things first, of assuring an output of components such as bearings and motors in quantities sufficient to meet production schedules for end products, is an assignment of the greatest difficulty. It was recognized from the beginning that every operating agency was in a position to contribute to the decision-making process.

And it was recognized as a prime requirement that their advice must be used in reaching decisons that always involve, for materials in short supply giving more to some agences at the cost of giving less to others.

The interagency Requirements Committee was established to advise the Chairman of the Requirements Committee in making those decisions. The Committee's membership represents every major functional area. It includes one advisor for each of the following areas:

Military requirements; agricultural production, mines, public utilities, petroleum and gas; transportation; industrial production; construction; civilian economy; foreign policy; industrial manpower; and economic stabilization.

The members of the Requirements Committee are top-level officials. The adviser for military requirements is the Chairman of the Munitions Board. The adviser for petroleum and gas is the Deputy Administrator of the Petroleum Administration for Defense. Agriculture's needs are represented by the Administrator of the Production and Marketing Administration in the Department of Agriculture. In the case of transportation, the Under Secretary of Commerce for Transportation is a member of the committee. The Assistant Administrator for Civilian Requirements in the National Production Authority counsels on all needs of the civilian economy, including the construction needs of Federal and local government. Officials of comparable rank and responsibility serve for all other areas.

The Requirements Committee meets at frequent intervals to consider allocation problems and to advise the Chairman in making program decisions. No allocation decisions are made without laying all pertinent facts on the table and carefully reviewing the alternative and weighing their costs. Beyond this, whenever the need arises, technical experts such as the directors of the Iron and Steel, Copper and Aluminum and Magnesium Divisions of the National Production Authority are invited to attend as expert consultants.

Perhaps the best way to explain how allocation decisions are reached under the Controlled Materials Plan is to describe the making of the program determinations for the fourth quarter of 1951, issued within the past few days. This will also serve to outline the kind of problems we faced, the magnitude of the unbalance of demand and supply for steel, copper and aluminum, and the extent to which all sources of information and all experience and expert knowledge were brought to bear on the decision-making process.

When the staff of the Office of Program and Requirements completed its summary of requirements for the fourth quarter, as presented by the claimant agencies and NPA industry divisions, it found the following balance with supply:

Material	Estimated supply	Total requirements	Percent requirements of supply
Steel:			
Carbon (tons)	19,264,000	28,274,600	147
Alloy (tons)	1,918,000	2,555,000	133
Stainless (pounds)	308,000,000	398,000	129
Copper and copper-base alloys:			
Brass mill (pounds)	595,000,000	974,730	164
Wire mill (pounds)	319,000,000	497,200	156
Foundry (pounds)	252,000,000	456,800	181
Aluminum (pounds)	598,000,000	867,000	145

Senator HICKENLOOPER. Mr. Chairman, may I ask Mr. Trigg whether the figures for the percentage of requirements over supply include all of the requests for steel, or is that the estimated essential needs?

Mr. TRIGG. It includes all of the requests for steel.

Senator HICKENLOOPER. In other words, someone says "I want to make a gadget," that you consider completely useless in the economy as far as the emergency is concerned. Is that counted in the demand?

Mr. ANSHEN. This is a statement of the requirements as first presented to our office by all of the claimant agencies speaking for their various areas. They have been screened by the claimant agency but not by our staff. These do not represent individual requests by manufacturers, because at the time these figures were put together manufacturers had not yet filed their application forms.

Senator HICKENLOOPER. What I am trying to get clear is whether, for instance, you consider that carbon steel—that is, in the case of carbon steel, there is 147 percent essential requirement of carbon steel for the present situation that we are in, as compared with the supply.

Mr. ANSHEN. No, sir; these are all requirements, and they include some rather ambitious programs in some areas which we were then undertaking to screen back.

Senator HICKENLOOPER. So, this 147 percent includes what you and various other agencies may deem to be nonessential requirements for carbon steel, for instance. You may eventually conclude that a lot of that is nonessential, and this includes what all agencies told you they need, including defense, industrial materials, and everything.

Mr. ANSHEN. At this point we had done nothing to the figures. This had been presented to us. This was the problem as we first saw it.

Senator HICKENLOOPER. It is entirely possible that when the final screening is done at the proper level on essential requirements, the percentages of requirements over supply may be reduced below the figures here?

Mr. ANSHEN. That is right. I would like to add one thing, if I may, sir.

Senator HICKENLOOPER. I merely want to get the basis upon which these percentages are presented.

Mr. ANSHEN. Your statement is quite correct. I would like to add one point. All of the claimants who presented these figures to us presented them with a great deal of supporting documentation and analysis, and the gist of what they said was: "These are our estimates of essential requirements."

Later analysis obviously would lead to the conclusion that some were more essential than others.

Senator HICKENLOOPER. Is it possible they may have used the old device of adding on a few percent with the idea that they would get cut anyway?

Mr. ANSHEN. It is possible.

The CHAIRMAN. Evidently each claimant agency did its own screening before it came to you.

Mr. ANSHEN. That is right. And said that this represented its estimate of what was essential in its area.

Senator HICKENLOOPER. Thank you.

Senator AIKEN. "Requests" would be a better word than "requirements" there—would it not?—that is, in order to be technically correct. It is what they would like, not what they actually needed.

Mr. ANSHEN. Actually they call them requirements and they support them with very strong documentation to support the statement that this is essential as they see it.

Senator AIKEN. Doesn't this total amount to almost twice as much steel as was used last year in the corresponding length of time? 31,000,000 tons—that rate for each quarter would be 124,000,000 for the year. It seems to me our domestic requirements were around 70,000,000 last year.

Mr. ANSHEN. The domestic supply was around 70,000,000 tons last year. Those requirements are far above any previous levels. It is a natural thing. In each area the claimant agency is concerned with one program, whether it is power or petroleum, transportation, what have you. Naturally their people are full of the problems of that area and they see the increasing demand for their output and they present a program which reflects their thinking.

Senator AIKEN. They do not foresee any decrease in price; do they?

Mr. ANSHEN. I do not follow you.

Senator AIKEN. They do not foresee any decrease in price? Isn't it a possibility that every user of steel is likely to get his requirements and as much more as he can in anticipation of the price increase?

Mr. ANSHEN. There may be some of that thinking.

Senator AIKEN. Wouldn't that be the human thing to do?

Mr. ANSHEN. These are human programs and they are put together by human beings.

Senator AIKEN. How much steel is actually being used by the armed services today?

Mr. ANSHEN. In the fourth quarter the allotment of carbon steel to the Department of Defense was just short of 1,600,000 tons.

Senator AIKEN. Is that all?

Mr. ANSHEN. That is for their direct allotment to their contractors. In addition—this is the point that is very often confused in the press—in addition, the National Production Authority allots steel to manufacturers of bearings and engines and nuts and bolts and heat exchangers and hundreds of other components which go into the tanks, the planes, the ships, the atomic-energy plants. That steel is not part of the 1,600,000 figure I just cited. That is allotted by the National Production Authority.

On top of that the Department of Defense procures a great many civilian-type products ranging from office equipment and desks and chairs to construction machinery, machine tools, heavy tractors, and so on. That steel is allotted by the National Production Authority and is not part of the 1,600,000 figure which I cited.

Finally, as a result of the expanding military program, we have had a need to build more electric-power capacity, more petroleum-refining and transportation capacity, and so on; and that steel is allotted by other agencies and is not part of the military figure of 1,600,000.

Senator AIKEN. We are producing 31,000,000 tons of steel more this year than last; is that right?

Mr. ANSHEN. No sir. Last year steel production in product tons was, I believe, a little bit more than 70,00,000 tons. I can get the precise figure for you. This year it should be in the neighborhood of 82 or 83 or 84 million.

Senator AIKEN. We are producing at the rate of 100,000,000 tons.

Mr. ANSHEN. Those are ingot tons. When they roll the ingots into products, they have a certain scrap loss. Those are steel-mill products.

Senator AIKEN. How much will it be this year?

Mr. ANSHEN. Close to 84 million tons in products—sheets, bars, plates, and so forth.

Senator AIKEN. About an 18-percent increase over last year.

Mr. ANSHEN. I think so.

Senator AIKEN. What tons are the allocations based on?

Mr. ANSHEN. On the actual supply for this year plus a small amount extra to allow for the disappearance after allotment on the way to the steel mills.

Senator AIKEN. The allocations for the fourth quarter—supplies estimated at 21,336,000 tons and the allocations were based on that supply; weren't they?

Mr. ANSHEN. Yes, sir.

The CHAIRMAN. Why is there a discrepancy here? The fourth quarter—I notice here the carbon steel is 19,264,000.

Mr. ANSHEN. Plus 1,900,000 of alloy steel.

Senator AIKEN. What becomes of the steel that is produced, this 21,000,000 tons so that the people with the allocations can't place orders for it?

Mr. ANSHEN. In the third quarter of this year, Senator, we were in the process of making a very difficult transition from an uncontrolled priority system, which existed from the fourth quarter of last year until the third quarter of this year, to the Controlled Materials Plan under which specific quantities of steel-procurement authority are given to individual manufacturers and contractors in each calendar quarter.

All of us who lived through this transition period in World War II anticipated that the third quarter would be a very difficult period in which it would be impossible to assure that every allotment issued would be met at the mills by the shipment of steel.

One reason was there was a great deal of procurement authority issued during the spring of this year, when there was no control over the use of priorities, when the military were told they could use a priority for anything they wanted without control. A great deal of procuring authority hung over into the third quarter from the second quarter, and no one knew how much it was, and no one knew who had the authority.

We had a difficult time, and those of us who had lived through it before knew we would have a difficult time, and Mr. Fleischmann predicted that we would have this trouble in the third quarter.

Senator AIKEN. But my question is: What happened to the steel?

Mr. ANSHEN. All of the steel was shipped to owners of preference-rating certificates, but there were more certificates outstanding hung over from the second quarter than the actual steel production in the third quarter could meet.

Senator AIKEN. And those certificates run over from quarter to quarter?

Mr. ANSHEN. They do not run into the fourth quarter. We have killed all of the old preference-rating certificates at the beginning of the fourth quarter; so, we expect with confidence from now on a rapid improvement.

Our objective is to be sure, as we were during World War II under a similar control plan, that every ticket issued can be met by a shipment of steel from the mills.

Senator AIKEN. You think you can assure that all of the allocations given for the fourth quarter will be delivered?

Mr. ANSHEN. I do not think that we can give that assurance, but I think we will have a vastly improved performance over the third quarter. We hope by the first quarter to be able to deliver that assurance. One reason we are so confident is during World War II we had a similar Controlled Materials Plan. After a difficult transition period, it worked very successfully to channel steel to those who were authorized to procure steel, and there was no difficulty in terms of unfilled orders. We have the same plan in operation now, and many of the same people are trying to make it run.

Senator AIKEN. In the third quarter some who had certificates got virtually the full amount of their allocation and others got none whatsoever; is that correct?

Mr. ANSHEN. Most people got something, but very few got all they were authorized to get.

Senator AIKEN. As far as I can learn, there was nothing at all secured for highways and bridges, for bridges particularly. I guess there was some reinforcement steel for highways.

Mr. ANSHEN. There was some structural steel. Whenever a man has a ticket which he cannot place at a mill, he makes a noise about it, as he naturally should. The man who is able to place his tickets frequently doesn't take the trouble to come in and say "what a fine piece of work you did; all my orders were placed." He is happy as it is.

Senator AIKEN. Am I correct in assuming the railroads got virtually the entire amount of their allocation?

Mr. ANSHEN. I do not know.

Senator AIKEN. Whereas highways got very little and in most States none whatsoever?

Mr. ANSHEN. I do not know that.

The CHAIRMAN. Have you any method to follow through to see whether or not those to whom steel is allocated make use of it for the purposes for which they apply?

Mr. ANSHEN. We have several methods, and I would like to describe them.

The CHAIRMAN. Just in a moment. We hear quite often of steel being offered in the black market. You hear reports of that, I suppose?

Mr. ANSHEN. We have heard such reports.

The CHAIRMAN. Have you checked into those?

Mr. ANSHEN. Yes, sir. Mr. Fleischmann has a compliance staff hard at work trying to run down every one of those cases, and he would be delighted, I know, to have the names and addresses of people concerned that come to your attention, because he is running them down as fast as he can.

The CHAIRMAN. With the permission of the committee, I am going to insert a letter from the Thomson Machinery Co., of Thibodaux, La., not far from where I live, addressed to me. Attached to this letter is one addressed to the Small Business Investigating Committee, and I would like to read one paragraph of the attached letter to the main letter:

We cite this inasmuch at it is difficult to conceive how certain suppliers, especially in the East and the Midwest, under these times of shortages, could circularize stock lists, one sample of which we attach for your ready reference. This Laube Steel Co., we have never heard of, nor do we recall ever having received any stock lists from them in the past. Last Friday we sent an inquiry to these people, and have just received a telephone call from a Mr. Gore of that firm, indicating that the largest portion of our inquiry to these people could be handled for immediate shipment on a basis of $10.95 per hundredweight, f. o. b. New York City. When cost of steel material has been computed on a basis of $7.50 per hundredweight, f. o. b. our plant, which is the normal average mill cost, and what with price controls and a firm determination by Government officials, as well as legitimate industrial leaders of the Nation to fight inflation, steel that costs $249 a ton instead of $140, makes it almost prohibitive.

I will ask permission to put that in the record, and I would like you to make a special effort, not tomorrow, but today, and check on this Laube Co. That is only one, and we may furnish you with others.

(The document referred to follows:)

THIBODAUX, LA., *September 17, 1951.*

Hon. ALLEN J. ELLENDER,
United States Senate Building, Washington, D. C.

DEAR SENATOR ELLENDER: We understand, from the press, that as chairman of the Agriculture Committee of the Senate, you are conducting a fact-finding investigation, devoting a portion of your efforts to the farm-machinery industry.

As you already know, our firm is engaged in the manufacture of special sugarcane-field tools. For the past year, our ability to obtain sufficient steel to conduct our normal volume of business has been most unsuccessful.

During the latter half of 1950, it was impossible to get any mill to accept our orders. In practically each instance we were informed that due to the voluntary railroad-car program, the petroleum program, etc., they were not able to accept any but DO rated orders. Finally after much correspondence and at least three trips to Washington to discuss the matter with the Farm Machinery Division of NPA, we were given, in April, a DO–45 rating of some six-hundred-and-some-odd tons of carbon steel. At that time we informed NPA that our mill sources had already been sold out through the second quarter of 1951, and it was generally conceded that CMP would come into effect for the third quarter of 1951. The greater portion of this DO–45 tonnage, we were only able to have accepted by the mills for the fourth quarter of 1951 and the first quarter of 1952. With the advent of CMP, all of these DO–45 orders were automatically canceled, unless we would be in a position to validate them in line with CMP regulations; with the net result that is explained in the attached letter and résumé, these being directed to the Senate Small Investigation Committee as a result of a visit by the writer with our junior Senator, Russell Long, who is, as you know, a member of the committee.

Summing up briefly, with the information we have received thus far, regarding our ability to place first quarter 1952 orders, the first refusal of which has come to us from Jones & Laughlin Steel Corp. today, leads us to be quite fearful of our abiilty to obtain sufficient legitimately priced steel to conduct our normal business beyond the end of this current year.

We are not alone in this predicament. We understand from certain other steel users in this area, most of whom are engaged in sugar-mill work, that they have been, and are faced with the same situation in regard to their steel requirements.

Yours very truly,

THOMSON MACHINERY CO., INC.,
By E. J. THIAC.

SEPTEMBER 17, 1951.

SENATE SMALL BUSINESS INVESTIGATING COMMITTEE,
United States Senate Office Building, Washington, D. C.
(Care of Hon. Russell J. Long)

GENTLEMEN: In line with the writer's conversation with you in your office, with Mr. Bourg, a few weeks ago, regarding the steel procurement situation, beg to advise that we have discussed this matter with both the Thibodaux Boiler Works, of Thibodaux, La., and the Nadler Foundry & Machine Co., of Plaquemine, La., both of whom have agreed to furnish you with a résumé of their experiences along these lines. Before this letter, with our attached statement is posted, we may be in possession of their statements, and will try to furnish them altogether.

In addition to the fact that we are unable to schedule any sufficient quantity of material with our normal mill suppliers, it is extremely difficult and almost impossible to obtain sufficient quantities of steel from the local warehouse sources to cover current operations. Apparently, therefore, the warehouse people, within the New Orleans and Houston trade territories, are faced with similar problems; and they are unable to obtain sufficient quantities of material to maintain normal inventories.

We cite this inasmuch as it is difficult to conceive how certain suppliers, especially in the East and the Midwest, under these times of shortages, could circularize stock lists, one sample of which we attach for your ready reference. This Laube Steel Co., we have never heard of, nor do we recall ever having received any stock lists from them in the past. Last Friday we sent an inquiry to these people, and have just received a telephone call from a Mr. Gore of that firm, indicating that the largest portion of our inquiry could be handled for immediate shipment on a basis of $10.95 per hundredweight, f. o. b. New York City. When cost of steel material has been computed on a basis of $7.50 per hundred-weight, f. o. b. our plant, which is the normal average mill cost, and what with price controls and a firm determination by Government officials, as well as legitimate industrial leaders of the Nation to fight inflation, steel that costs $249 a ton instead of $140, makes it almost prohibitive.

Assuring you of the writer's appreciation for the time given him and Mr. Bourg, and sincerely thanking you for anything you might be able to do to help our area out in obtaining its fair share of steel allotments by the normal suppliers to this area; we are,

Yours very truly,

THOMSON MACHINERY CO., INC.,
By E. J. THIAC.

Thomson Machinery Co., Inc., Thibodaux, La., manufacturer of a complete line of special sugarcane field farm machinery (circular attached), was allocated on third quarter CMP 4B application filed May 16, 1951, and approved by NPA on June 28, 1951, for a total of approximately 313 net tons of carbon steel. Against this third quarter allotment, with our mills, we revalidated CMP orders that had originally been placed with a DO rating, totaling not in excess of 75 net tons. After receipt of this third quarter allotment, however, our mill suppliers informed us that they could not accept any additional tonnage for this third-quarter period. All efforts to get any of our normal mill suppliers to accept additional tonnage for the third quarter have been unsuccessful up to this time.

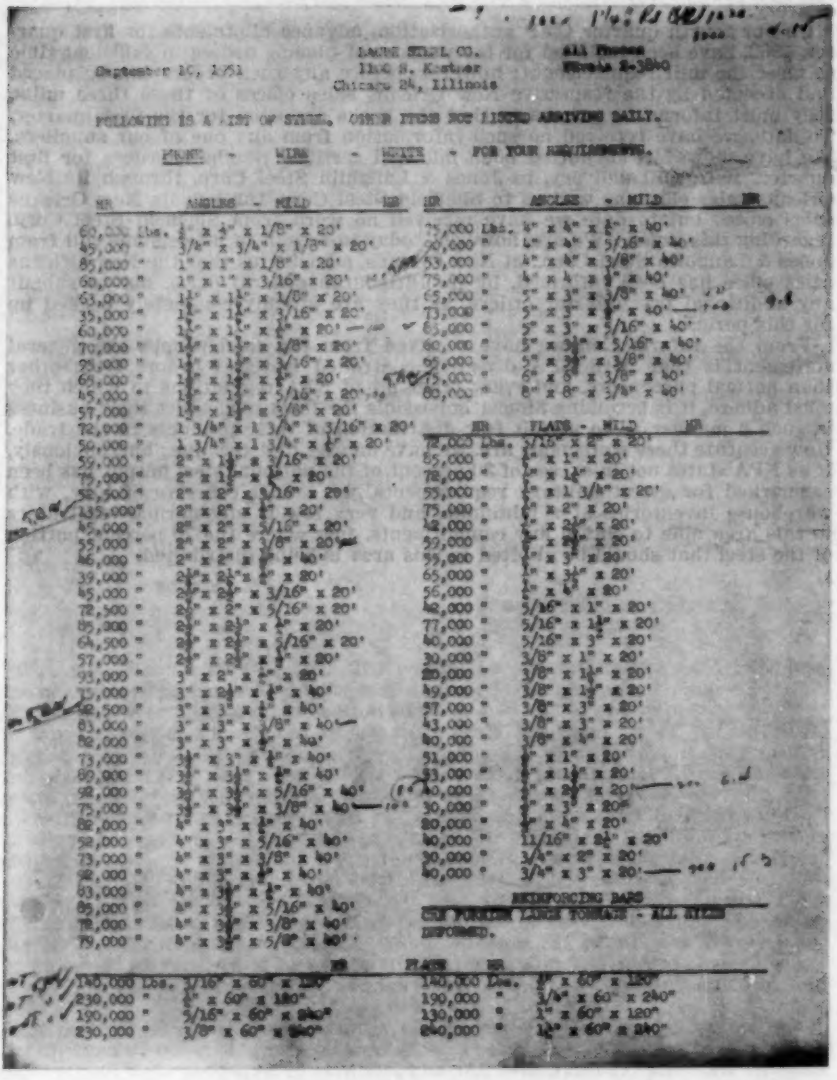
Our CMP 4B applications for fourth quarter, 1951, were prepared and forwarded to NPA under date of July 30, 1951, to cover differences between the advance allotments that were offered and permitted at the time the third quarter applications were received. This advance allotment was required by us, however, to validate orders with class A producers. We were therefore unable to use any of this allotment for the purchase of any steel products of our own.

The approved applications totaling approximately 145 tons of carbon steel for the fourth quarter were received at different times, due to the fact that applications were processed in New Orleans and Washington. The New Orleans application, totaling approximately 34 net tons of carbon steel, was approved and received by us on August 15. The other application, which covered the larger portion of our requirements for the fourth quarter, was issued and approved through Washington, under date of September 10, totaling 101 net tons of carbon steel for the fourth quarter.

Information from our mills, however, indicated that revalidation of orders, already on their books, had to be made prior to August 15. One such order that had been placed by us under a DO rating, on April 23, scheduled for fourth quarter delivery, was therefore canceled by our supplier, the Tennessee Coal, Iron & Railroad Co. inasmuch as our approved CMP authorization was received on September 10. It is therefore impossible for us to enter a new order with either Tennessee Coal, Iron & Railroad Co., Jones & Laughlin Steel Corp., or Sheffield Steel Corp., our three normal mill suppliers, for a fourth-quarter delivery.

On our fourth quarter CMP authorization, advance allotments for first quarter, 1952, have been included for the purpose of placing orders in sufficient time to meet the mill requirements; however, before any such orders can be placed and accepted by the respective New Orleans sales offices of these three mills, they must inform the purchaser that the books are open for the first quarter. To date, we have received no such information from any one of our suppliers. We have, however, submitted bona fide and certified purchase orders for first quarter, 1952, mill delivery, to Jones & Laughlin Steel Corp. through its New Orleans sales office, as well as to Sheffield Steel Corp. through its New Orleans sales office; but to date we have received no word from Sheffield Steel Corp. regarding this order. We are, however, today in receipt of a telephone call from Jones & Laughlin Steel Corp., at New Orleans, advising us that the New Orleans sales office has been informed, by its Pittsburgh general office, not to submit any additional first quarter orders, as they are already completely booked up for this period.

From the information we have received from the steel people, the general statement is that with NPA directive controlled material orders from other than normal purchasers, and every other bit of NPA regulations to which they must adhere, it is becoming almost impossible for them to conduct their business in such a manner as to permit fair distribution of their products to the trade. How accurate these statements are, we have no way to determine; but, obviously, if as NPA states not in excess of 30 percent of the national steel output has been earmarked for direct military requirements, we cannot conceive of how, with warehouse inventories at a minimum, and very few if any normal steel users in this area able to obtain any commitments, just where the 70 percent portion of the steel that should be allotted to this area is being distributed.



LANE STEEL CO.
Ilse S. Kastner
Chicago 24, Illinois

All Phones
Rhoda 2-3840

September 10, 1951

FOLLOWING IS A LIST OF STEEL. OTHER ITEMS NOT LISTED ARRIVING DAILY.

PLATE - WIRE - BEAMS - FOR YOUR REQUIREMENTS.

MR	ANGLES - MILD	MR
60,000 Lbs.	1" x 1" x 1/8" x 20'	
45,000 "	3/4" x 3/4" x 1/8" x 20'	
85,000 "	1" x 1" x 1/8" x 20'	
60,000 "	1" x 1" x 3/16" x 20'	
63,000 "	1¼" x 1¼" x 1/8" x 20'	
35,000 "	1¼" x 1¼" x 3/16" x 20'	
60,000 "	1½" x 1½" x ¼" x 20'	
70,000 "	1½" x 1½" x 1/8" x 20'	
95,000 "	1½" x 1½" x 3/16" x 20'	
65,000 "	1½" x 1½" x ¼" x 20'	
45,000 "	1½" x 1½" x 5/16" x 20'	
57,000 "	1½" x 1½" x 3/8" x 20'	
72,000 "	1 3/4" x 1 3/4" x 3/16" x 20'	
50,000 "	1 3/4" x 1 3/4" x ¼" x 20'	
59,000 "	2" x 1½" x 3/16" x 20'	
79,000 "	2" x 1½" x ¼" x 20'	
52,500 "	2" x 2" x 3/16" x 20'	
135,000"	2" x 2" x ¼" x 20'	
45,000 "	2" x 2" x 5/16" x 20'	
55,000 "	2" x 2" x 3/8" x 20'	
46,000 "	2" x 2" x ½" x 40'	
39,000 "	2½" x 2½" x ¼" x 20'	
45,000 "	2½" x 2½" x 3/16" x 20'	
72,500 "	2½" x 2" x 5/16" x 20'	
85,000 "	2½" x 2½" x ¼" x 20'	
64,500 "	2½" x 2½" x 5/16" x 20'	
57,000 "	2½" x 2½" x ½" x 20'	
93,000 "	3" x 2" x ¼" x 20'	
72,000 "	3" x 2½" x ½" x 40'	
82,500 "	3" x 3" x ¼" x 40'	
83,000 "	3" x 3" x 3/8" x 40'	
82,000 "	3" x 3" x ½" x 40'	
73,000 "	3½" x 3" x ½" x 40'	
69,000 "	3½" x 3½" x ¼" x 40'	
92,000 "	3½" x 3½" x 5/16" x 40'	
75,000 "	3½" x 3½" x 3/8" x 40'	
82,000 "	4" x 3" x ½" x 40'	
52,000 "	4" x 3" x 5/16" x 40'	
73,000 "	4" x 3" x 3/8" x 40'	
92,000 "	4" x 3" x ½" x 40'	
93,000 "	4" x 3½" x ½" x 40'	
89,000 "	4" x 3½" x 5/16" x 40'	
78,000 "	4" x 3½" x 3/8" x 40'	
79,000 "	4" x 3½" x 5/8" x 40'	

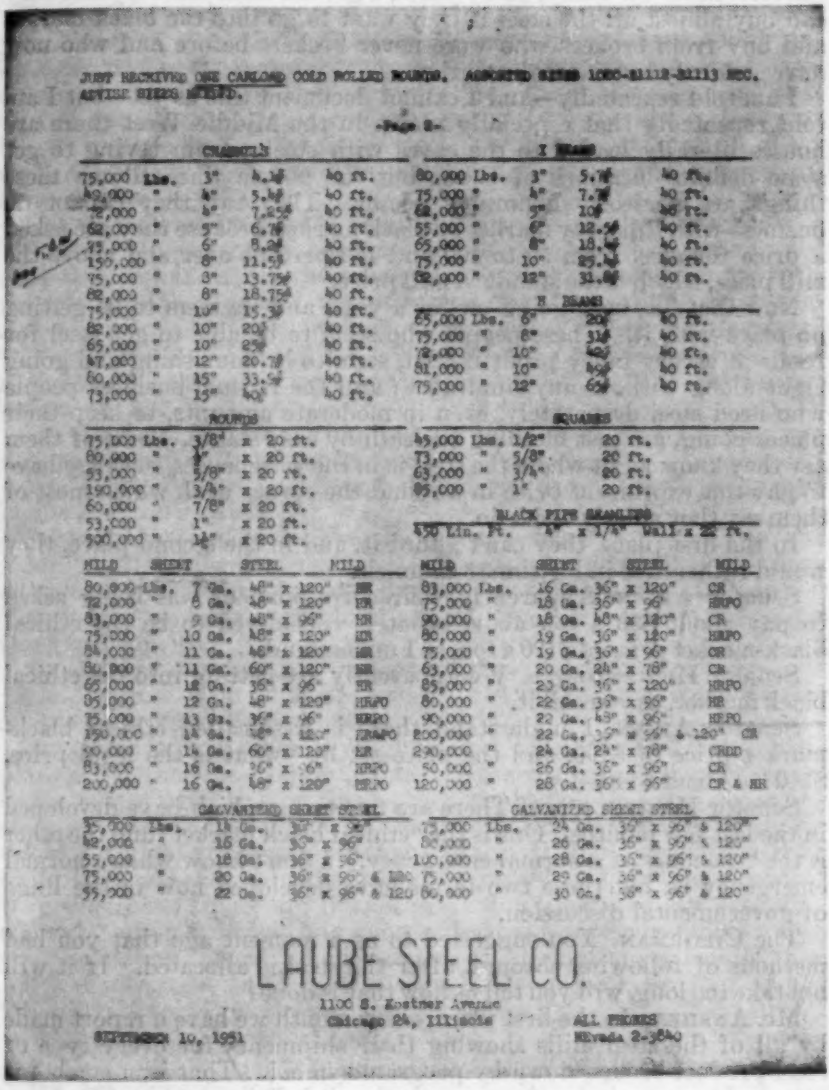
MR	ANGLES - MILD	MR
75,000 Lbs.	4" x 4" x ¼" x 40'	
90,000 "	4" x 4" x 5/16" x 40'	
53,000 "	4" x 4" x 3/8" x 40'	
75,000 "	4" x 4 x ½" x 40'	
65,000 "	5" x 3" x 3/8" x 40'	
73,000 "	5" x 3" x ½" x 40'	
63,000 "	5" x 3" x 5/16" x 40'	
60,000 "	5" x 3½" x 5/16" x 40'	
95,000 "	5" x 3½" x 3/8" x 40'	
75,000 "	6" x 6" x 3/8" x 40'	
80,000 "	8" x 8" x 3/8" x 40'	

MR	FLATS - MILD	MR
72,000 Lbs.	3/16" x 2" x 20'	
65,000 "	¼" x 1" x 20'	
78,000 "	¼" x 1½" x 20'	
95,000 "	¼" x 1 3/4" x 20'	
75,000 "	¼" x 2" x 20'	
42,000 "	¼" x 2½" x 20'	
59,000 "	¼" x 2¾" x 20'	
59,000 "	¼" x 3" x 20'	
65,000 "	¼" x 3½" x 20'	
56,000 "	¼" x 4" x 20'	
42,000 "	5/16" x 1" x 20'	
77,000 "	5/16" x 1½" x 20'	
40,000 "	5/16" x 3" x 20'	
30,000 "	3/8" x 1" x 20'	
29,000 "	3/8" x 1½" x 20'	
49,000 "	3/8" x 1½" x 20'	
57,000 "	3/8" x 3" x 20'	
43,000 "	3/8" x 3" x 20'	
40,000 "	3/8" x 4" x 20'	
51,000 "	½" x 1" x 20'	
33,000 "	½" x 1½" x 20'	
40,000 "	½" x 2½" x 20'	
30,000 "	½" x 3" x 20'	
29,000 "	½" x 4" x 20'	
40,000 "	11/16" x 2½" x 20'	
30,000 "	¾" x 2" x 20'	
40,000 "	¾" x 3" x 20'	

REINFORCING BARS

CUT TO LENGTH LARGE TONNAGE - ALL SIZES PERFORMED.

MR	PLATE	MR
140,000 Lbs.	3/16" x 60" x 120"	140,000 Lbs. ½" x 60" x 120"
230,000 "	¼" x 60" x 180"	190,000 " ¾" x 60" x 240"
190,000 "	5/16" x 60" x 240"	130,000 " 1" x 60" x 120"
230,000 "	3/8" x 60" x 240"	240,000 " 1½" x 60" x 240"



JUST RECEIVED ONE CARLOAD COLD ROLLED ROUNDS. ASSORTED SIZES 10000-21112-22113 ETC. ADVISE SIZES NEEDED.

-Page 2-

CHANNELS

75,000 Lbs.	3"	4.1#	40 ft.
49,000 "	4"	5.4#	40 ft.
72,000 "	5"	6.7#	40 ft.
62,000 "	5"	6.7#	40 ft.
93,000 "	6"	8.2#	40 ft.
150,000 "	8"	11.5#	40 ft.
75,000 "	8"	13.75#	40 ft.
82,000 "	8"	18.75#	40 ft.
75,000 "	10"	15.3#	40 ft.
82,000 "	10"	20#	40 ft.
65,000 "	10"	25#	40 ft.
47,000 "	12"	20.7#	40 ft.
60,000 "	15"	33.9#	40 ft.
73,000 "	15"	40#	40 ft.

I BEAMS

80,000 Lbs.	3"	5.7#	40 ft.
75,000 "	4"	7.7#	40 ft.
62,000 "	5"	10#	40 ft.
55,000 "	6"	12.5#	40 ft.
65,000 "	8"	18.4#	40 ft.
75,000 "	10"	25.4#	40 ft.
82,000 "	12"	31.8#	40 ft.

H BEAMS

65,000 Lbs.	8"	20#	40 ft.
75,000 "	8"	31#	40 ft.
72,000 "	10"	42#	40 ft.
81,000 "	10"	49#	40 ft.
75,000 "	12"	65#	40 ft.

ROUNDS

75,000 Lbs.	3/8"	x 20 ft.
80,000 "	1/2"	x 20 ft.
93,000 "	5/8"	x 20 ft.
190,000 "	3/4"	x 20 ft.
60,000 "	7/8"	x 20 ft.
53,000 "	1"	x 20 ft.
500,000 "	1½"	x 20 ft.

SQUARES

45,000 Lbs.	1/2"	20 ft.
73,000 "	5/8"	20 ft.
63,000 "	3/4"	20 ft.
85,000 "	1"	20 ft.

BLACK PIPE SEAMLESS

450 Lin. Ft. 4" x 1/4" Wall x 22 ft.

MILD	SHEET	STEEL	MILD
80,000 Lbs.	7 Ga.	48" x 120"	HR
72,000 "	8 Ga.	48" x 120"	HR
83,000 "	9 Ga.	48" x 96"	HR
75,000 "	10 Ga.	48" x 120"	HR
84,000 "	11 Ga.	48" x 120"	HR
84,000 "	11 Ga.	60" x 120"	HR
65,000 "	12 Ga.	36" x 96"	HR
85,000 "	12 Ga.	48" x 120"	HRPO
75,000 "	13 Ga.	36" x 96"	HRPO
150,000 "	14 Ga.	48" x 120"	HRAPO
90,000 "	14 Ga.	60" x 120"	HR
83,000 "	16 Ga.	36" x 96"	HRPO
200,000 "	16 Ga.	48" x 120"	HRPO

MILD	SHEET	STEEL	MILD
83,000 Lbs.	16 Ga.	36" x 120"	CR
75,000 "	18 Ga.	36" x 96"	HRPO
90,000 "	18 Ga.	48" x 120"	CR
80,000 "	19 Ga.	36" x 120"	HRPO
75,000 "	19 Ga.	36" x 96"	CR
63,000 "	20 Ga.	24" x 78"	CR
85,000 "	20 Ga.	36" x 120"	HRPO
80,000 "	22 Ga.	36" x 96"	HR
90,000 "	22 Ga.	48" x 96"	HRPO
200,000 "	22 Ga.	36" x 96" & 120"	CR
240,000 "	24 Ga.	24" x 78"	CRDD
80,000 "	26 Ga.	36" x 96"	CR
120,000 "	28 Ga.	36" x 96"	CR & HR

GALVANIZED SHEET STEEL

35,000 Lbs.	14 Ga.	36" x 96"
42,000 "	16 Ga.	36" x 96"
55,000 "	18 Ga.	36" x 96"
75,000 "	20 Ga.	36" x 96" & 120
55,000 "	22 Ga.	36" x 96" & 120

GALVANIZED SHEET STEEL

75,000 Lbs.	24 Ga.	36" x 96" & 120"
80,000 "	26 Ga.	36" x 96" & 120"
100,000 "	28 Ga.	36" x 96" & 120"
75,000 "	29 Ga.	36" x 96" & 120"
60,000 "	30 Ga.	36" x 96" & 120"

LAUBE STEEL CO.

1100 S. Kostner Avenue
Chicago 24, Illinois

ALL PHONES
NEvada 2-3840

SEPTEMBER 10, 1951

Senator HICKENLOOPER. Mr. Chairman, my State has a great many small manufacturers and some fairly sized ones, that use a lot of steel.

It is not daily but every time I have a contact with these small manufacturers, who are having difficulty and who have traded with the steel mills for many, many years, I get the same answer, that they can buy almost all the steel if they want to go into the black market and buy from brokers who were never brokers before and who now have suddenly come into the market.

I am told repeatedly—and I cannot document this as yet—but I am told repeatedly that especially places in the Middle West there are houses literally loaded to the eaves with steel. I am trying to get some definite locations of those, but the people who tell me these things are perfectly honorable people. They say they cannot do business with this gray market or black market, because they are asked a price for steel from 50 to 100 and 150 percent over and above the mill price, which is the standard mill price.

Now that has been going on for a year, and we seem to be getting no place with it. These people who seem to be able to get steel for resale at a very fancy profit indeed, seem to be flourishing and going right along without any hindrance; and the normal-business people who need steel desperately, even in moderate amounts, to keep their places going, are just bleeding to death by easy stages. Some of them say they know right where the steel is in the warehouses, but they have to pay this exorbitant price in a round-the-corner deal, which most of them say they simply won't do.

In the first place, they can't afford it, and in the second place, they would rather deal in legitimate channels.

Senator AIKEN. Apparently your correspondent was being asked to pay about $50 a ton above what is considered to be the ethical black-market price of $190 a ton, as I understand.

Senator HICKENLOOPER. We apparently are getting into the ethical black market, as you call it.

Senator AIKEN. I understand there is a so-called ethical black-market price of $190, and the price set by—what is the legal price, $140? About $140.

Senator HICKENLOOPER. There are two terms which have developed in the last few months. One is the "ethical black market" and the other is the "economy of a normal emergency." I don't know what a normal emergency is, but those two terms have developed now in the lingo of governmental discussion.

The CHAIRMAN. You suggested to us a moment ago that you had methods of following through after the steel is allocated. If it will not take too long, will you tell us how that is done?

Mr. ANSHEN. In the first place, every month we have a report made by all of the steel mills showing their shipments for every type of steel product broken down by program symbol. That is, a symbol is attached to every order showing whether it is Department of Defense, atomic energy, petroleum, power, various kinds of programs. So that we have a mill shipment report beginning I think with the month of July and continuing month by month, showing shipments by program symbol, which we can compare with the amounts we allotted to each agency.

That is one check on how the agency program was actually supported by shipments from the steel mills. There is the same for copper and aluminum, I might say.

Second, as I mentioned a couple of minutes ago, the National Production Authority has a compliance staff, which is engaged all over the country in trying to run down cases of noncompliance, whether it is with respect to black marketing of steel or accumulation of inventory in excess of the limits established by the regulations.

I would be glad, I might say, to refer this to them promptly and get an answer, but I do want to repeat a statement I have heard Mr. Fleischmann, as the Administrator of NPA, make several times before committees here on the Hill and in talking to us, talking to his own staff: First, that he is most concerned to run down every case of violation; second, that so far as his staff has yet been able to run down these cases, they have found in many instances that the reports are in error.

If I may take a moment, I would like to cite one particular case.

Senator HICKENLOOPER. In most of the instances that came to my office the companies sent the solicitation for business right along with them, where they quoted the price for steel, they didn't quote the normal mill price, but quoted what this broker would sell them certain specifications of steel for. That was a direct solicitation, and in most cases the company said they had never heard of the broker before.

Mr. ANSHEN. We would like to have those cases, and I assure you they will be run down promptly.

Mr. TRIGG. Senator, did I understand you to say they were turned in, the case you speak of?

Senator HICKENLOOPER. They have been referred.

Mr. TRIGG. We will check into it. We are very anxious to run these down case by case and try and dry up any black market if possible. That is why we have a compliance staff. This black market is a tough thing to deal with.

Senator HICKENLOOPER. I understand that it is difficult.

Mr. TRIGG. I want to assure you we will put all the people we can on it to try to remedy the situation.

Senator HICKENLOOPER. I might say I have received some complaints, too, that the steel companies themselves are not quite as vigorous in cooperating to stop this as they might be—that is, in some instances. I think that might be a very important source of beginning this thing, right at the steel company itself. It would seem to me they could have done more in the past to bring this matter under control than they have in certain instances. I don't mean to say every instance by any means, but I do know at least one or two instances where steel mills were not at all cooperative in attempting to handle this.

The CHAIRMAN. In that connection, do you check whether or not the steel mills give you the proper information?

Mr. ANSHEN. Yes, sir.

The CHAIRMAN. You have some inspection of that?

Mr. ANSHEN. Yes, sir.

Senator AIKEN. You are satisfied you get accurate information from the mills?

Mr. ANSHEN. From the mills on their shipments, yes, I think we do.

Senator AIKEN. Mr. DiSalle before the Banking and Currency Committee one night assured the committee that his organization knew where every animal sold in the United States was slaughtered,

and he said it with a straight face. I wondered if you were as sure of your information as he was.

Senator HICKENLOOPER. I think he is right. I think every animal slaughtered in the United States is slaughtered in the United States, and to that extent he knows where they are slaughtered.

Mr. TRIGG. Fortunately, there aren't as many steel mills as there are slaughterers of cattle.

Senator AIKEN. From what I hear there are getting to be about as many steel dealers.

Senator HICKENLOOPER. There are a lot in our State.

The CHAIRMAN. Now in allocating steel to these various applicants, have you a yardstick to go by as to what percentage you are going to give for this, that, or the other applicant?

Mr. ANSHEN. I think that question, Mr. Chairman, is covered in good part in the balance of Mr. Trigg's statement, because he tells here how the fourth-quarter allocations were made; and if it isn't covered, I will be glad to deal with that question.

The CHAIRMAN. What prompts the question is that last Friday, when we were having our hearings here, I asked in particular about steel allocations for the manufacturer of nitrogen and other elements that constitute fertilizer. At my request the American Plant Food Council, Inc., managed by Mr. Truitt, furnished the committee today—and I will ask that this be incorporated in the record at this point—a letter indicating the amount applied for by various companies, first naming the companies and the amount applied for, the amount certified, the percentage allowed, and the release reference. I am informed that up to the moment no steel has been allocated.

(The letter referred to above is as follows:)

AMERICAN PLANT FOOD COUNCIL, INC.,
Washington, D. C., September 21, 1951.

Senator ALLEN J. ELLENDER, Sr.,
United States Senate, Washington, D. C.

DEAR SENATOR ELLENDER: In response to your query to me, made in connection with the testimony of Mr. Kenneth A. Spencer before your committee on September 21, please note listed below the names, location, amount applied for, amount certified, percentage allowed, and reference information for certificates of necessity granted on anhydrous ammonia.

Name of company	Amount applied for	Amount certified	Percentage allowed	Release reference
The Atlantic Refining Co., Point Breeze, Philadelphia, refinery.	$3,400,000	$3,400,000	50	DPA–124, Sept. 13, 1951.
Lion Oil Co., Charlotte, N. C	30,516,000	30,452,000	50	Do.
Food Machinery & Chemical Co., South Charleston, W. Va.	2,503,000	2,503,000	50	Do.
Woodward Iron Co., Woodward, Ala	6,000,000	6,000,000	50	Do.
Phillips Chemical Co., Texas Gulf coast	38,760,000	38,260,000	50	Do.
Allied Chemical & Dye Corp., South Point, Ohio.	7,270,000	7,270,000	50	DPA–111, Aug. 20, 1951.
Mississippi Chemical Corp., Yazoo County, Miss.	6,037,500	5,704,707	50	DPA–90, July 23, 1951.
Dow Chemical Co. (ammonia), Freeport, Tex	4,316,800	4,316,800	50	Do.
Shell Chemical Corp., Dominguez, Calif	7,600,000	6,789,000	50	Do.
Commercial Solvents Corp., Sterlington, La	20,537,000	20,458,000	50	DPA–87, July 16, 1951.
Spencer Chemical Co., Vicksburg, Miss	13,958,000	13,758,000	50	Do.
Mathieson Chemical Corp., Lake Charles, La	2,266,891	1,388,258	50	Do.
Hooker Electro-Chemical Co., Tacoma, Wash	1,894,700	1,894,700	50	Do.
Wyandotte Chemical Corp., Wyandotte, Mich	2,624,000	2,624,000	50	Do.
Diamond Alkali Co., Houston, Tex	1,606,000	1,606,000	50	Do.
Diamond Alkali Co., Painesville, Ohio (anhydrous).	828,900	828,900	70	Do.

The American Plant Food Council, Inc., properly is not in possession of detailed information regarding the steel requirements for these proposed plants. We believe such information is obtainable by your committee from the National Production Authority.

Sincerely yours,

PAUL T. TRUITT, *President.*

Mr. ANSHEN. I would like to comment on that.

The CHAIRMAN. In that connection I would like to know—in other words, it is my considered judgment that steel allocation as well as copper and other materials ought certainly to be given to those who produce the wherewithal, such as food and fiber, which is more essential than cannon, as I indicated last week. It strikes me that unless a person has food to live on and clothes to wear, he might not be able to produce these things that are so necessary for our defense.

Mr. ANSHEN. May I make two comments, Mr. Chairman?

The CHAIRMAN. Yes.

Mr. ANSHEN. First with respect to a statement such as this, that affects individual plants, the Defense Production Administration, with which organization Mr. Trigg and I are associated, does not deal directly with individual business concerns. We have no responsibility for and no authority for allocating direct to individual manufacturers or contractors.

The CHAIRMAN. But you do, though——

Mr. ANSHEN. For broad areas.

The CHAIRMAN. Do you state how much is allocated for this purpose?

Mr. ANSHEN. We state, for example, how much shall be allocated for industrial construction. The facilities and construction bureau of the National Production Administration decide how to distribute that lump of steel we give them among all types of construction projects that are brought to them.

The CHAIRMAN. What yardstick do you use in allocating for industrial production? Do you take into consideration what that steel is finally going to be used for?

Mr. ANSHEN. Yes, sir.

The CHAIRMAN. What yardstick do you use in allocating for farm machinery or for the production of machinery to produce nitrogen and the things that are so necessary to increase crop production?

Mr. ANSHEN. We examine all of the demands for structural steel. The military has a big demand for defense construction for new airfields, and so forth.

The CHAIRMAN. You say "demand." Is that in quantity?

Mr. ANSHEN. Yes; tons of steel required for all military construction.

The CHAIRMAN. You give the military all they require?

Mr. ANSHEN. No, sir; we have not given them all they require.

The CHAIRMAN. I mean directly.

Mr. ANSHEN. After we have carefully reviewed with them the way they determined what their tonnage requirements were—in every case we have found errors, duplications, bad scheduling, where they have tried to push up into one quarter construction requirements which could without endangering their program at all be spread out over a longer period of time. It is not our job obviously to decide how many tanks, how many planes. The Joint Chiefs of Staff decide that we need so many. That is their responsibility. However, it is our re-

sponsibility to review most carefully with the Department of Defense how they translate their end product schedules into material input. We have to be sure that they don't ask for everything at once when they could space it out, because if we give them all they ask for at once, obviously some other important users have to stand back and it isn't a balanced program.

Senator THYE. Have you found when you reviewed their actions in the past that they have been in error?

Mr. ANSHEN. Yes, sir, on occasion.

Senator THYE. On occasion?

Mr. ANSHEN. Yes, sir.

Senator THYE. And it involved quite a number of tons of steel and strategic material?

Mr. ANSHAN. On some occasions, yes. We found many instances where they agreed with us that a rescheduling would be possible, feasible, and would not endanger their program.

Senator THYE. Did they consent to a rescheduling?

Mr. ANSHEN. Yes, sir.

Senator THYE. So that our whole national economy could function as close to normal as possible.

Mr. ANSHEN. That is right.

Senator THYE. I am sorry for the interruption.

Mr. ANSHEN. That is perfectly all right. We do the same kind of an examination of the structural steel requirements presented to us for every other program in the economy, including transportation, agriculture, industrial expansion, petroleum refining and pipeline expansion—all of the needs. We line them up. Now in the case of structural steel, as Mr. Trigg's statement goes on to point out, the demand was something over 180 percent of supply. Now, our staff worked with staffs of all of these agencies to try to phase out requirements better. We made some gains that way, all across the line, because we showed them the problem. We can't do this all at once. Then the Requirement Committee, which Mr. Trigg just described to you, sat with us day after day and reviewed these claims and tried to array them in an order of urgency. For example, we looked at the very ambitious plans now on foot to expand our production facilities for basic materials such as aluminum and steel. We decided in cooperation with the Facilities and Construction Bureau what the aluminum plant expansion requirements were. It was their judgment, after looking at the needs for that aluminum, which was necessary to support our growing aircraft program as well as to provide transmission lines for the atomic energy plants and for the aluminum plants themselves, that they ought to meet the aluminum structural steel requirements in full, because that program had to go through, or every other program that needed aluminum would fall on its face this year and next year.

In the case of steel, urgent as that program was, in view of the many other demands for structural steel, which were also urgent, the Facilities and Construction Bureau of NPA—that was their decision—they knew they could not give 100 percent of the steel for the steel expansion program. They sat down with the Iron and Steel Division of the NPA and looked at every single project in the whole steel expansion program—blast furnaces, open hearth, and finishing mill. They picked out the projects, most of them in the early stage of fabrication, such as blast furnaces, and said these must come through first on schedule.

We will meet their structural steel requirements in full. Some of these finishing facilities, which we won't need until next year anyhow, we will not satisfy this quarter because we can't give them all they need.

By examining every single project in detail they were convinced, the directors of the Bureau told me this, they had saved steel for other uses without seriously endangering the accomplishment of the steel expansion program.

They did the same thing for every other program. We made the decision, we in the Defense Production Administration, with the advice of all the claimants on the Requirements Committee, made the decision about how much structural steel should be allotted to industrial expansion, as a group, looking at all those programs in competition with each other, and asking all our advisers which shall we satisfy 100 percent, which must be cut back, what can be deferred, and then we came to industrial expansion and we used our combined judgment to determine the tonnage that would go there. Then it became the responsibility of the Facilities and Construction Bureau of NPA, which is much more familiar than we are with the details of individual industry construction needs, to distribute within the total we gave them to individual plants which had filed applications for steel to carry on construction projects.

I might say the kind of program that we had to defer is typified by such things as public roads and schools. Urgent as those needs are, we had to save some structural steel, and the entire committee advising us decided that we certainly would need steel for elementary and secondary schools in areas of new and rapid population growth, new defense centers; but many other schools, however badly needed they were, would have to wait two or three quarters because they couldn't meet their needs in full. The same way in the case of roads.

All these needs were important, but some in our combined judgment had to be classed as deferable.

The CHAIRMAN. Judging from what you state, you must have access to all of the applications that have been certified as necessary by the various agencies that act as go-between between you and the applicants.

Mr. ANSHEN. The individual contractors file——

The CHAIRMAN. I placed in the record there a list of applicants who have applied for machinery, steel, and other materials for the production of fertilizer and fertilizer products. I wonder if you would be good enough to, at your leisure, look into these applications and tell us how much steel has been allocated to each, whether a certificate has been allocated, and if you don't have it, maybe you can get it.

Mr. ANSHEN. I will be glad to find out. All these applications come to various divisions of NPA. We don't touch them.

The CHAIRMAN. How do you make your allocation? You should know something about them.

Mr. ANSHEN. We have a full and detailed review with every industry division of NPA and every claimant agency. This process takes weeks. We make them come in one by one, describe how they put their requirements together, what kind of needs they represent they are claiming for, but we obviously with a small staff cannot look at thirty or forty or forty-five thousand individual applications which come in.

The CHAIRMAN. It is your agency that makes the allocation?

Mr. ANSHEN. For areas such as farm machinery, such as industrial construction. From there on the appropriate division of NPA takes up the job of distributing the lump of structural steel we assign to them in industrial construction to individual plants, and they make their decisions.

The CHAIRMAN. How long have you been in your present job?

Mr. ANSHEN. I have been working on this kind of work since last February, and I had 4 years of similar experience with the War Production Board in the last war.

The CHAIRMAN. Give us a little of your background.

Mr. ANSHEN. My name is Melvin Anshen and I am currently Assistant Deputy Administrator for Program and Requirements in the Defense Production Administration.

I have been in this position—there have been one or two title changes, which have been of no consequence—since February of this year.

During World War II, I was with the War Production Board for about 4½ years, for the first 2 years of the period as Deputy Director of the Controllers Division and the last 2½ years as Director of the Research Coordination Staff.

Between World War II and the present period I have been on the faculty of the School of Business of Indiana University. I have also been consultant to the National Security Resources Board and the National Production Authority.

Senator JOHNSTON. What was your background before going into the Government?

Mr. ANSHEN. I am a graduate of Harvard College and Harvard Business School.

Senator JOHNSON. In what business activities have you been engaged?

Mr. ANSHEN. I have not been in private business. I have been a consultant to a member of business firms and have been a member of the faculty of the School of Business of Indiana University since my graduation from the Harvard Business School, except for the period that I have just described with the War Production Board and my present assignment here.

The CHAIRMAN. If you can't give us the answer to the question just asked, you can obtain it.

Mr. ANSHEN. I will obtain it.

The CHAIRMAN. If no steel was allocated, we would like to know why.

Mr. ANSHEN. I will find out.

The CHAIRMAN. And if some will be available in the next quarter, we would like to know that because, as I understand, a good many of these companies have been ready to go, they have had the plans, and as a matter of fact of my own personal knowledge, I know of one that has had the foundation in for quite some time, since World War II. It would save a lot of steel and cement, and all they need to do is to put a building over this foundation and they would be ready to go in a few months and produce nitrogen, ammonia, that is needed so much.

Aside from giving us the status of the steel needs of each company I have mentioned in this memorandum, I have a memorandum here from one of them and I will quote—you might check on this:

As far as we know and leaving aside any steel available in the fourth quarter of 1951, from the allotment to the Secretary of Agriculture not a single company having a certificate for a nitrogen plant received any steel for the quarter. Practically speaking, a program made out by Agriculture and approved by NPA for vitally needed products has been delayed by NPA by its failure to make a relatively small amount of steel available.

I wish you would look into that.

Mr. ANSHEN. We will look into it. We don't know why NPA made the decision. We will find out. That is, why they made the decision to allocate the very small amount available to them to one construction project and not to another. We gave them an allotment of structural steel for industrial expansion. I will be glad to find out about this particular item.

The CHAIRMAN. I am hopeful that those in authority up there will place requirements for production of food and fiber on a par with the military needs, because I believe it is necessary. In my book it ought to come first, because without food and fiber you can't do these other things we are now doing. It strikes me it ought to be priority No. 1.

Senator AIKEN. You referred to road building.

Mr. ANSHEN. Yes, sir.

Senator AIKEN. That you couldn't give them all they wanted. I had a delegation from New England the other day representing all the New England States. They weren't complaining as to the allocations. They were complaining that they couldn't buy a ton of steel.

I say a ton. I think out of some 800 tons they got 34 tons. I don't know whether Connecticut got any. Connecticut and Vermont apparently had not been able to get any. The other States got a little for reinforcing, but their complaint was not as to your allocations. They would accept them. However, the allocations didn't mean anything. Nobody would sell them steel.

Senator JOHNSTON. Do you allocate more steel than can be delivered?

Mr. ANSHEN. No, sir. We allocate a small amount in excess of the supply because our experience repeatedly during World War II was that not all of the allotments we give the claimant agencies ultimately end up at the mills, and there is a good reason for that.

When we give an allotment to the Department of Defense, which is a very complicated organization, they have to filter that allotment down before it gets into the hands of the manufacturer through several organizational levels. We give the allotment, for example, to the Munitions Board. It has to break that down between Army, Navy, and Air Force. Within each of those departments they have to break it down by technical services, and then within each technical service to the procuring offices in the field. Very naturally, at almost every level, a small reserve is held back to deal with emergencies and unforeseen contingencies, changes in program levels, and every single quarter some part of these reserves, which are modest amounts at each level, don't get allotted.

It happens in the other agencies as well. We had a very thorough study made of this thing in World War II, and it proved that in order

to get a full demand at the mills, to assure that production wasn't lost because of lack of orders, it was essential to overallot by small amounts. That is consistent with our objective of having every ton cashed. We are moving in that direction, sir.

Any one of these States that has difficulty in placing orders should bring that to the immediate attention of the Iron and Steel Division of NPA, which is setting up a group to help them.

Senator AIKEN. They have been bringing that to your attention every week and almost every day; I have been calling day after day myself. They still don't get any and they designate, for instance, a strategic military highway and yet that highway is worth no more in the event of war than the weakest bridge. When they have got a bridge posted for 6 to 10 tons on a strategic highway and can't get a ton of steel, something is wrong.

Senator HOLLAND. On this matter of roads, if this would be appropriate, I would say we have had quite exhaustive hearings on that. The Senator from Vermont and every other Senator is invited to appear before our committee if he cares to do so. We recognize it is a difficult problem and we have been urging, in every way we can, improvement in that matter. However, I don't believe this is the committee at this time that has that particular problem before it. I invite the Senator from Vermont to appear before our committee if he cares to do so.

The CHAIRMAN. Proceed, Mr. Trigg.

Mr. TRIGG. This excess of requirements over supply reflected a growing military program, as well as expansion in a number of direct defense-supporting areas such as electric power, petroleum, industrial construction, industrial equipment and machinery, and transportation. It is important to note that it did not include high-level requirements for passenger automobiles and consumers' durable goods; material requirements for these products were reflected at the cutback levels established in the third quarter, roughly 70 percent of a pre-Korea base for durable goods and about 65 percent of the same base for automobiles.

In reviewing requirements to bring them into balance with available supplies, we were guided by three basic policies: (1) The material needs of the approved military program should be satisfied in full, after careful screening to eliminate errors, duplications, waste, and improper scheduling; (2) the material needs of defense-supporting activities should be satisfied, after similar screening, to the maximum extent consistent with the limited amounts of steel, copper, and aluminum available for distribution, and consistent with securing a proper balance between construction and equipment, between components and end products, and between the production of energy resources and the demand for these resources; and (3) production of consumers' goods should not be subject to sudden, drastic cut-back because of the great danger of creating pools of unemployed labor and contributing to inflationary forces, but should be curtailed to the extent necessary to free critical materials for more urgent defense uses.

As a first step in the review of requirements, the agency and materials specialists of the Office of Program and Requirements, working with the experts of the NPA Steel, Copper, and Aluminum Divisions, went over each agency's presented requirements with a fine-

tooth comb. The objective of this review was to validate methods used in compiling requirements, check on lead-time factors, assure nonduplication in coverage, and appraise balance among agency programs and among the programs of different agencies. In the course om this review it was possible to establish levels of relative urgency, to identify some programs the fulfillment of which could be deferred for one or more calendar quarters without serious or harmful effects, to suggest ways to conserve critical materials, and to eliminate wasteful use of materials.

On the basis of this review, in the course of which the various claimant agency staffs had an opportunity to appraise each other's programs and participate in the paring-down process, tentative, preliminary recommendations were prepared to bring demand into balance with supply. These necessarily involved cut-backs in every program. These recommendations were placed before the members of the interagency Program Adjustment Committee for its review.

The Program Adjustment Committee is the principal working subcommittee of the Requirements Committee. Its membership includes the alternates to the members of the Requirements Committee, and additional members from a number of claimant agencies that do not have direct representation on the Requirements Committee. The meetings of the Program Adjustment Committee were also attended by members of the staffs of the NPA Steel, Copper, and Aluminum Divisions, so that their expert knowledge of manufacturing methods and product mix could be used in reviewing proposals for change. The Program Adjustment Committee met morning and afternoon for 5 days. As a result of their meetings, the Chairman of the Committee was able to forward to the Requirements Committee a proposed fourth quarter allocation program that gave effect to a number of modifications in the preliminary proposals prepared by the combined staffs.

A number of fundamental problems remained for consideration by the Requirements Committee. One was the level at which production of passenger automobiles and other consumers' goods should be supported in the fourth quarter. Massive demands for steel, copper, and aluminum in defense-related areas could be met only by drastic cuts in consumers' goods. In the case of copper, in fact, even a reduction to zero in consumers' goods would have left a deficiency in the supply of brass mill products. A second problem centered in construction. The supply of structual shapes was far below the demand and it was obvious that construction—which was coming under quantitative control for the first time in the fourth quarter—must be cut back severely because of the shortage in heavy structurals. In doing this, it was important to support to the maximum possible extent the material requirements for the steel, aluminum, and chemical expansion programs which would ultimately increase basic material supplies and eliminate shortages. In addition, there were appeals from the recommendations of the Program Adjustment Committee presented by the Petroleum Administration for Defense, the Defense Electric Power Administration, some of the NPA industry divisions concerned with such products as metal-working machinery, electronics, and related equipment, and other agencies.

The Requirements Committee met in several sessions to review these issues. The chairman of the committee heard their advice and, on

the basis of the facts of the supply-demand balance, the counsel of his staff, and the advice of the members of the Requirements Committee prepared the final allocation decisions. As a safeguard against unforeseen contingencies such as late changes in important programs and inequities not apparent at the time, about 5 percent of the anticipated supply was held back as a reserve, to be distributed at a later date.

It then became the responsibility of the agencies and the divisions to break these allocations down to the quantities of materials to be distributed to individual manufacturers and contractors in response to their applications on the appropriate forms under the Controlled Materials Plan. A group of materials accountants attached to the staff of the Office of Program and Requirements are responsible for the establishment and maintenance of accounting controls over the actions of agencies and divisions, to assure that allotments are not issued in excess of quantities made available by program determination.

This procedure of review and consultation followed in the fourth quarter is typical of the regular pattern that is adhered to in every allocation decision. It attempts to bring to bear on the difficult allocation process all the facts and all the expert knowledge that can contribute to an equitable and rational distribution of the short supplies of critical materials.

Heavy structional shapes presented one of the most difficult material problems. Requirements in the fourth quarter amounted to 180 percent of supply. It was impossible, therefore, to meet in full even the more urgent demand. With the advice of the staff of all agencies concerned with construction, all claims were reviewed in terms of relative essentiality. Projects directly related to the military program were put at the top of the list. Next were projects related to the various defense-supporting programs, such as industrial plant expansion, electric power, expansion of strategic minerals supply, expansion of petroleum supply, and strengthening marine and railroad transportation. The allotments made reflected these judgments.

The CHAIRMAN. In that connection you say "projects directly related to the military program were put at the top of the list."

Can you give us an idea of what those were?

Mr. ANSHEN. The Department of Defense, Mr. Chairman, has first of all a good deal of construction that it carries on directly itself, such as building new airports. We allot the steel to them directly for their construction.

In addition, they have endorsed certain industrial plant expansion, which involve such things as a plant expansion to build machine tools that will go into an aircraft program.

They have said to NPA, and it was brought to our attention also: "These from our point of view are of the topmost urgency. This machine tool will go to North American Aviation and we will have to have it on schedule."

Senator AIKEN. Did they get their materials all right?

Mr. ANSHEN. Some of them, but we couldn't meet them all. There wasn't enough material.

Senator AIKEN. They get them all at ceiling prices, I suppose, all of what they get. Is that right?

Mr. TRIGG. I wouldn't know, but I would suppose so, Senator. I am not sure about it.

Senator AIKEN. What about the report made to the Senate Small Business Committee that some companies had been buying steel a 3 years' supply ahead to produce a commodity in a plant when the plant isn't even constructed yet?

Mr. ANSHEN. We have tried to run down every such case. I will try to find out.

Senator AIKEN. I was referring to a staff committee report to the Senate Small Business Committee.

Mr. ANSHEN. It is an NPA responsibility to run those things down. I will try to find out what has happened. I have heard Mr. Fleischmann speak on this subject many times.

I know the claims about black market operations, et cetera, or other violations of regulations of the National Production Authority are not in all cases borne out by the facts as we find them.

There are many cases, I am sure, of noncompliance, but let me give you an illustration of the kind of rumor that gets around. When I testified recently before another committee—and I don't remember at this time which committee—one of the members of the committee asked me about a report which had been placed before him by a constituent to the effect that 30,000 tons of steel were sitting outside of the Savannah River Atomic Energy Commission project piled up there, this outrageous tonnage, and that amount was being denied to other people.

Senator HOLLAND. I addressed that question to you, Mr. Anshen, in the subcommittee of the Public Works Committee which was investigating the road program, as something that had been communicated to the committee, and asked you to explore it.

Mr. ANSHEN. We have looked into that, and I can give you the answer.

Senator HOLLAND. You wrote me fully about it.

Mr. ANSHEN. As I wrote you, Senator, and if I quote the figures wrong, you check me, we went directly to the Atomic Energy Commission. I got in touch with them directly and said, "Look, these are the charges. What are the facts?"

They investigated. We sent a man also. We found actually some 600 tons, some such small quantity, about to go into the construction process the following week or two. Apparently there is that kind of error.

I know many of these statements are made by people in good faith, but we have tried to run them down. Some are actual noncompliance, and we want to root that out, but many are made, just rumor that floats around.

Senator AIKEN. You keep your allocations within the amount of production, naturally.

Mr. ANSHEN. That is our objective.

Senator AIKEN. When people who receive the allocations can't buy steel, it means it goes somewhere else. That is a big question.

Mr. ANSHEN. I know it is.

Senator AIKEN. What becomes of it when pepole holding allocations for which there is supposed to be steel can't secure steel?

Mr. ANSHEN. I think I can tell you some of the reasons. These are cases we are trying to root out. We know this, for example, and this happened in World War II briefly also. As a result of some lack of

confidence on the part of some businessmen in this early phase of the Controlled Materials Plan that we can actually make it work to the point of assuring that every manufacturer or contractor who gets an allotment can get his order placed—as a result of that lack of confidence, many manufacturers have placed duplicate orders. That is illegal, but they have done so. They do not intend to take delivery on all those orders. What they intend to do in many cases is to wait for an assured delivery on one and then cancel the other; but as long as they hold those duplicate orders on the mill books, they are keeping other people with valid tickets off their books. We have found many cases and are trying to run them down, both in terms of individual punishment and general publicity.

When we issued the third-quarter allotments last June we also gave an advance procurement authority for the fourth quarter to every manufacturer who got an allotment for the third quarter. The advance was limited to 70 percent of his third-quarter tonnage for the fourth quarter. The objective was an obvious one. We want to assure continuity of production, and there are many long lead-time items where you have to get orders on the mill well in advance.

When the fourth quarter came around, the unbalance we faced was even worse. .As a result, in many instances we were not able to give these manufacturers who had advance authority for 70 percent of the third quarter more to bring their fourth quarter up to the third-quater level. In some cases we have had to cut them back.

Many of these manufacturers, again illegally, when they got a 70-percent advance authority assumed they were going to get up a hundred percent ultimately and placed orders which they anticipated would later be in a position to be validated with CMP tickets.

The CHAIRMAN. You say illegally?

Mr. ANSHEN. Yes; the regulation does not permit them to do that.

The CHAIRMAN. To what extent can you regulate that and keep them from applying at two or three or four places; have them apply at one place instead?

Mr. ANSHEN. We don't at two or three places.

The CHAIRMAN. You say they put in more than one order, put in orders at several places. Can't you stop them?

Mr. ANSHEN. No; not at the places where they have duplicate orders; but the fact that a man splits his purchase order among several mills is normal.

The CHAIRMAN. If he puts in duplicate orders, you can prevent that?

Mr. ANSHEN. We are trying to do that. MPA, which has the direct responsibility, is trying as hard as it can through its compliance staff, through publicity, to run that out of the system. It must be run out of the system to make this plan work. I am convinced it will be run out, as there is a growing confidence that we are not issuing more tickets than the supply can meet and that everybody who has a ticket will get his order filled.

Senator AIKEN. The allocations for the third quarter which were not filled—where would you say that steel is today if the allocations were within the production?

Mr. ANSHEN. It got into the hands of people who had received preference rating authority in the second and first quarters of this year.

when there was no quantitative control. This is the difference. For the fourth quarter of 1950 and the first and second quarters of 1951, just to pick one example, the Department of Defense had a general authority to use a preference rating—DO, defense order—on all of its requirements. There was no tonnage limitation. There was no time period. We didn't say, "You can buy so many tons of steel in the second quarter." We had no quantitative control.

At that time we were still in this period of hoping to use a simply priority system that would take the military and put it first and the rest of the economy could adjust to it because the military program was relatively small at that time. Now we know what happened. Many military contractors got ratings, the Army placed ratings for tanks, let us say. I don't know whether this happened in tanks, but it will serve to illustrate. The manufacturer then went out and, having a firm contract for his end product, proceeded to place orders for all his material needs for several quarters in advance. He didn't get all that shipped at that time, but many of those orders hung over into the third quarter.

It was the same in construction and many other programs. There was no way under the sun that we could find out how many of those orders were still hanging undelivered in the third quarter. In that transition period it was also dangerous in the extreme to say all tickets would be invalidated as of July 1, because to do that, without knowing where they were and who had them, might have halted many important military construction projects or manufacturing programs we didn't mean to halt before we got the third quarter paper to them.

That is what I meant by saying this was a very difficult tansition period. We determined we would have to live through that quarter. At the end of the quarter we would invalidate, announcing 3 months in advance that we would, all DO's that had not been converted to authorized controlled materials orders, and we are doing that. From now on things should be relatively clean. We had to go through this experience.

Senator AIKEN. Are you going to direct the distribution of the steel from the mills beginning October 1?

Mr. ANSHEN. We are doing it now. We are first issuing controlled materials procurement authority, DPA gives it to the various claimant agencies, they break it down to individual contractors and manufacturers. Second, the Material Divisions of NPA—steel, copper, aluminum—issue directives to the mills telling them what products to produce, what tonnage of plate, what tonnage of sheet, what tonnage of bars. That is why we have every expectation and we are confident that we will rapidly improve this difficulty that we are even more painfully aware of than you are.

The mail and telephone calls from people with uncashed tickets are of considerable volume, as you can well imagine. It is not the way the system should work, and I might say we hope to get through with it this quarter, two quarters having gone by, one intense and one mild, which is a period that ran for three or four quarters before getting on top of it in World War II.

Senator JOHNSON. How about making allocations now when steel and aluminum are so scarce when foreign countries make a request for it?

Mr. ANSHEN. Part of the total requirements that the Requirements Committee Mr. Trigg described earlier considers, are expert requirements. We take them into our calculations, we review them, and screen them in just the same way, and the decision made there is a decision that is made with the advice of all the claimants concerned.

Senator THYE. There have been a few times when I have had a fear that you were so close to the forest you couldn't see the trees.

Mr. ANSHEN. That is easily true, sir.

Senator THYE. When I see the culvert fabricator or the school building contractor to whom steel was allocated and construction was commenced but who couldn't get delivery, or find the steel, and the whole construction had to come to a standstill, and when I find the complaints concerning the repairs, and the steel allocation for repair manufacturing to supply the machines in the field that need constant repair—when I see these things I sometimes wonder if you haven't been to close to the problem that you just couldn't see what needed to be done.

I am not saying this in a disrespectful or critical manner, but I do say there have been times when I just was at a loss to know what was happening within the DPA or NPA on steel allocation because we have had so many calls and so many desperate appeals.

Mr. ANSHEN. I know you have had and we have had them also.

Senator THYE. Much of our time is spent trying to satisfy a very irritated constituency because they are unable to get action either from you or from their congressional members.

The CHAIRMAN. Are there any further questions?

Senator HOLLAND. You will remember I couldn't be present the day Secretary Brannan was here because of commitments to be elsewhere. This may be off the record.

(Discussion off the record.)

Mr. TRIGG. The Facilities and Construction Bureau of the National Production Authority is responsible for making allotments to industrial plant expansion projects. Against their total structural requirements of about 365,000 we were able to allot about 265,000 tons. From this tonnage, that Bureau decided to meet in full the requirements of the aluminum expansion programs. In the case of steel expansion, only about half of total requirements could be satisfied. A project-by-project review of the entire steel expansion program was undertaken, and the available material was directed toward basic facilities with the finishing plants' needs set back.

For the chemical industry, stated structural steel requirements were about 50,000 tons, against which the Facilities and Construction Bureau made an allotment of 18,815 tons. Other materials were allotted in quantities adequate to balance the allotment of structurals. Requirements for sulfur and sulfuric acid were stated to be some 1,288 tons of structurals, and these were met in full.

The requirements for phosphorous was stated as 1,447 tons of structurals of which 785 tons were for consideration only if additional claims could be presented for processing expanded phosphorous output into phosphates. Since no such assurance was given, the allotment was limited to 662 tons.

The requirement for anhydrous ammonia, in connection with the nitrogen expansion program, was stated at 4,032 tons of structurals, against which an allotment of 617 tons was made. However, a major

portion of the ammonia requirement was met with steel transferred by the Department of Agriculture. An agreement was reached for the transfer of 6,200 tons of Agriculture's steel, including 2,700 tons of structurals, for use in seven specified ammonia expansion projects.

The CHAIRMAN. I presume that the questions which I propounded to Mr. Anshen awhile ago about these plants will be answered.

Mr. ANSHEN. I will find out what was done.

The CHAIRMAN. We can place your answers in the record at this point.

(The information referred to above is as follows:)

DEPARTMENT OF COMMERCE,
NATIONAL PRODUCTION AUTHORITY,
Washington 25, October 3, 1951.

Hon. ALLEN J. ELLENDER, Jr.,
United States Senate, Washington 25, D. C.

DEAR SENATOR ELLENDER: Applications for structural steel for the fourth quarter for approximately 800 projects involving chemicals totaled 52,000 tons against which only 19,780 tons were allotted. The Chemical Division recommended prime consideration for 20 chemicals including ammonia.

Only three new ammonia plants were eligible for allotments out of the 19,780 tons according to criteria used by the Industrial Expansion Division of the Facilities and Construction Bureau. These three companies were Pennsylvania Salt Manufacturing Co., Dow Chemical Co., and Hooker Electrochemical Co. To assist construction of the other ammonia plants the Department of Agriculture released 2,642 tons of structural steel which permitted approval of applications for seven other ammonia projects filed by Allied Chemical & Dye Corp., Shell Chemical Corp., Spencer Chemical Co., Commercial Solvents, and Mathieson Chemical Co.

It should be noted that the figures refer only to structural steel which was used as a control and do not include the total steel involved.

Therefore, to the extent the criteria permitted, a part of the ammonia expansion program was allotted structural steel out of the allotment given to the Chemical Division and the remainder out of steel transferred specifically for this purpose by the Department of Agriculture. Ten new plants in all were involved.

Sincerely yours,

KENNETH H. KLIPSTEIN,
Director, Chemical Division,
Chemical, Rubber and Forest Products Bureau.

Senator AIKEN. That transfer was a paper transfer, wasn't it?

Mr. ANSHEN. It was a transfer of authority to allocate steel.

Senator AIKEN. The Secretary of Agriculture testified he couldn't get allocations filled.

Mr. ANSHEN. It wasn't meant to be a paper tranfer.

Mr. TRIGG. Restrictions were placed against less essential construction to maximize the availability of structural steel, as well as other critical materials, for more important uses.

In concluding, I want to assure the committee that we are fully aware of the important contribution that a high level of agricultural production can make to the Nation's defense and well-being.

I would like to add I think each member of the committee has heard me expound that on several occasions.

Within the limits imposed by other urgent requirements for critical materials and the short supplies available to meet all requirements, we intend to give all possible support to agricultural programs. I think we have developed an effective organization and procedures for aggregating and appraising requirements, for balancing requirements with supply, and for controlling the distribution of materials in accordance with program decisions.

90402—51——9

The CHAIRMAN. Any more questions?

Thank you very much, Mr. Trigg. We are glad to have had you.

Mr. TRIGG. I was glad to be here again.

The CHAIRMAN. The next witness is Mr. Klipstein. Give your name in full and a little of your background.

STATEMENT OF KENNETH H. KLIPSTEIN, DIRECTOR, CHEMICAL DIVISION, NATIONAL PRODUCTION AUTHORITY

Mr. KLIPSTEIN. My name is Kenneth H. Klipstein, Director of the Chemical Division of NPA. I have been in the chemical industry all my life. I came down here in March on an assignment with the NPA.

Senator AIKEN. You mean you have been in the business of——

Mr. KLIPSTEIN. In the chemical manufacturing industry.

Senator AIKEN. What kind?

Mr. KLIPSTEIN. Mostly dyes and intermediates.

The CHAIRMAN. With what concern were you connected?

Mr. KLIPSTEIN. Originally it was my father's concern, E. C. Klipstein & Sons Co. We started synthetic anthraquinone. It is the basis of the military vat dyes today, and also a line of specialties mostly in the dyes and intermediate field. Later I went with American Cyanamid Co. when our concern was bought.

The CHAIRMAN. I see you have a prepared statement.

Mr. KLIPSTEIN. Yes, sir.

The CHAIRMAN. Do you mind being interrupted as you go along?

Mr. KLIPSTEIN. Not at all.

The CHAIRMAN. Proceed, sir.

Mr. KLIPSTEIN. The Chemical Division of the National Production Authority is keenly aware of the increasing needs of agriculture for fertilizers and pesticides, as was so ably reviewed by Secretary Brannan in his statement before this committee last Thursday. We recognize also the serious distribution problems which have arisen as a result of shortages, particularly with respect to superphosphate. I will try to show the underlying causes which have brought about the present situation and to outline the steps we are taking to increase supply and correct inequities.

I would like to make special mention at the outset of the splendid cooperation which representatives of the Department of Agriculure have given us in our efforts to improve the supply of agricultural chemicals and to solve the distribution problem. Their help and guidance have been invaluable to us.

Since you may have questions which cannot be answered without specialized knowledge, I have asked Mr. Frederic Arden, Chief of our Inorganic and Agricultural Chemicals Branch; Dr. George M. Hebbard, Deputy Chief of the Branch; Mr. John G. McMullen, Chief of our Sulfuric Acid Section; Mr. P. H. Groggins, Chief of our Agricultural Chemicals Section; and Mr. Lucian Walker, consultant on sulfur, to be present.

Any discussion of agricultural chemicals necessarily involves consideration of sulfur. Sulfur is the most complicated and most critical problem which our Division has. The estimated shortage for the fourth quarter is only 106,750 long tons. Although the shortage is not great, its impact is extraordinarily widespread.

Sulfur, directly or indirectly, finds its way into more industries and more end products than almost any other single chemical. It is hard to compare it with caustic soda or chlorine, but it is tremendously widespread. It is used in rubber compounding, in the paper industry, in the synthesis of a number of chemicals, such as phenothiazine, lubricating oil additives, and dyes. From it are made also carbon disulfide and sulfuric acid. Carbon disulfide, in addition to being a fumigant, is a raw material for carbon tetrachloride, rubber accelerators, rayon, and cellophane.

Then end-use pattern of sulfuric acid is still more complex. It consumes about three-quarters of the elemental sulfur produced. Last year's production of acid was 12,000,000 tons. Superphosphate and ammonium sulfate are of course made from it. Although substantial quantities are required for the manufacture of DDT, in this case as in many others, it does not appear in the final product. It is used only as a processing agent.

It is used for the pickling of steel and for synthetic cryolite, which in turn is needed for the production of aluminum. It is required for the processing of aviation gas and other petroluem products and that industry's needs may increase as much as 50 percent in the next 2 years. It is used also for rayon, cellophane, drugs, storage batteries, leather, explosives, pigments, and the processing of coke byproducts. It serves as the basis of a host of inorganiic and organic chemicals including alum, essential to the treatment of water and sewage, hydrofluoric acid, bichromate of soda, phenol, aniline, beta-naphthol, synthetic anthroquinone, and hundreds more, which in turn find their way into literally thousands of industrial applications.

Thus the impact of the sulfur shortage is extremely difficult to trace through to the end products. It is all the more difficult because sulfuric acid is recovered, fortified or concentrated, and reused. Approximately 10 percent of the acid, for example, which goes to superphosphate manufacture is byproduct acid from petroluem and other operations.

This background is necessary to understand some of the factors inherent in the sulfur problem and, therefore, the present over-all situation with respect to agricultural chemicals.

That sulfur was short was first generally recognized during the fourth quarter of last year when the producers undertook voluntary allocation, based on their existing contracts and historical consumption. Even during World War II there had been ample sulfur to take care of all requirements. In 1943, despite increasing production, a slow decline in stocks at mines had begun. By the end of 1950 production was at a peak and stocks were at a dangerously low level. Stocks at mines in 1942 were 4,300,000 tons, when there was a very much lower demand than at present, thus making the supply in terms of months or years considerably longer, and in 1950 had dropped to 2,388,000 tons, the equivalent of about 5 months' supply.

While adequate statistics were available covering productions, shipments, and stocks at mines, no official statistics were available for the over-all consumption of sulfur and sulfuric acid by end use since there had never before been any shortage. Therefore, before any positive action could be taken by the National Producton Authority it was necessary to survey the entire country and establish the pattern

of consumption for the base period year 1950. During the interim period the sulfur producers continued voluntary allocation and we endeavored to take care of hardship cases by directive.

On June 1, 1951, Order M–45, schedule 3, became effective, allocating sulfuric acid in 11 Western States and requiring reporting of production, use, and proposed shipments Nation-wide. On the same date Order M–69 was issued, limiting elemental sulfur consumption to 100 percent of the average monthly consumption during 1950 and requiring submission of a report of shipments to consumers for approval by the National Production Authority.

We were not certain whether the 100 percent base period limitation was sufficient to balance supply and consumption because our data were still not complete. We were satisfied, however, that this limitation would not be excessive and would not hamper national production needlessly.

We now know definitely that we cannot support all plants with sulfur and sulfuric acid at the 1950 average. Even if we could, if some uses are supported in full, such as steel and petroleum, a reduction below the 1950 rate of consumption would have to be borne by other industries.

How to do this equitably and with the least possible dislocation is our most pressing problem.

We called a sulfur industry producers' meeting on September 18, 1951, at which the following estimates—actually they were rounded out—for the fourth quarter of 1951 were presented and concurred in by the committee:

	Long tons
Domestic consumption (1950 base adjusted)	1,104,000
Exports proposed by International Materials Conference	257,500
Exports to Canada	83,750
Consumption and exports	1,445,250
Production	1,338,500
Shortage	106,750

Senator JOHNSON. How did you go about allocating that shortage? Do the exports to Canada and these other exports get their full share regardless?

Mr. KLIPSTEIN. These are the proposed exports. They are up for discussion now. Actually, as I will explain in just a minutes, we are proposing a lower figure. This 257,500 is what the exports have been in the last quarter, but we have proposed a reduction in that figure.

Senator JOHNSTON. If you don't, you are sending about a third away from the United States; isn't that true?

Mr. KLIPSTEIN. The total production is just over 5,000,000.

Senator JOHNSTON. It would be approximately a third of what you would really have produced in the United States, sending a third out of the United States, even though it is so scarce.

Mr. KLIPSTEIN. The actual production, I think, is 5,000,000 tons. The exports abroad, not including Canada, there are just over 1,000,000 tons. Our proposal is below 1,000,000 tons. I don't question your statement. It is a little less.

Senator JOHNSTON. I am going by this table that you have.

Senator THYE. Your exports as proposed by the International Materials Conference were 257,500 and for Canada 83,750.

Mr. KLIPSTEIN. We must compare them with the production figure of 1,338,000.

Senator JOHNSTON. But I asked the question: Are you going to cut those amounts? You say you don't know.

Mr. KLIPSTEIN. We have recommended that.

The CHAIRMAN. What authority would you have to reexamine that allocation and maybe decide to cut it?

Mr. KLIPSTEIN. It is reviewed each quarter, sir.

The CHAIRMAN. By whom?

Mr. KLIPSTEIN. By, I think, now the Defense Production Administration. Each quarter the allocation is reviewed. The recommendations we have made for the coming quarter are to cut it to 230,000 plus 7,500 tons.

The CHAIRMAN. That is your recommendation?

Mr. KLIPSTEIN. That is our recommendation.

The CHAIRMAN. I understand that a lot of foreign nations have gotten into the habit of using our material because of its cheapness in contrast to the cost of production of sulfur from pyrites.

Mr. KLIPSTEIN. That is right.

The CHAIRMAN. Can't you encourage them to use pyrites?

Mr. KLIPSTEIN. Yes, sir; we are definitely doing that. They have come to depend on our supply of surfur because of its cheapness, and I believe have abandoned pyrites, on which they were dependent in years gone by. The replacement process is now taking place.

The CHAIRMAN. It strikes me they ought to be encouraged to do it by cutting them off and letting them go back to the use of pyrites.

Senator JOHNSTON. I agree with the chairman.

Mr. KLIPSTEIN. That has definitely been brought to their attention and actually is going on. The problem is it takes time to put back the pyrites burners. That is the difficulty of it there. If sulfur were taken away, their economy would be drastically affected.

Senator JOHNSTON. We will need all the sulfur we can get in American in order to have the fertilizer necessary to grow the crops we need.

Senator AIKEN. Is Canada doing any work on the use of pyrites?

Mr. KLIPSTEIN. Yes, they are actively doing that and also some work on the use of smelter gases.

Senator AIKEN. I believe a smelter in New England is using waste from copper mining in order to obtain sulfur for use in the paper industry. The source of supply has to be near the place where it is used because of transportation difficulties.

Mr. KLIPSTEIN. That is another complicating factor. You can't ship it too far as a practical matter.

The CHAIRMAN. The question came up on Friday as to how much of the sulfur exports were financed through ECA. Would anybody in your agency know about that? If not, we will get it elsewhere.

Mr. KLIPSTEIN. I do not have that information with me but I will get it for the record.

(The information is as follows:)

DEFENSE PRODUCTION ADMINISTRATION,
Washington 25, D. C., September 24, 1951.

Hon. ALLEN J. ELLENDER, Sr.,
United States Senate, Washington 25, D. C.

DEAR SENATOR ELLENDER: I am supplying the following data on the Economic Cooperation Administration's share of sulfur exports in the first three quarters of 1951 in response to a question that you addressed this afternoon to Mr. Klipstein, Director of the Chemical Division, National Production Authority.

	Long tons
First quarter 1951	164,100
Second quarter 1951	151,000
Third quarter 1951	160,600

Please let me know if I can supply any other information on this subject.

Sincerely yours,

MELVIN ANSHEN,
Assistant Deputy Administrator for Program and Requirements.

The CHAIRMAN. Do you know whether or not sulfur exports—that is, do you know whether the price of sulfur that is exported is higher than that sold to the domestic industry?

Mr. KLIPSTEIN. Yes: it is. Might I ask if I can get a definite price on that? Mr. Arden or Mr. Walker may be able to give that.

Mr. FREDERIC ARDEN (Chief of Inorganic and Agricultural Chemicals Branch, National Production Authority). It is about $2 a ton higher.

The CHAIRMAN. Why? Is that an incentive for producers to sell it for export rather than sell it for domestic use?

Mr. ARDEN. I don't know, but export sulfur has been higher for a long time.

The CHAIRMAN. It always has been?

Mr. ARDEN. Yes.

The CHAIRMAN. Is that due to loading, that they have to load it, or do they do something extra that they don't do otherwise?

Mr. ARDEN. No; because we move most of our sulfur by water.

The CHAIRMAN. It is just a custom of long standing?

Mr. ARDEN. Yes, sir.

The CHAIRMAN. Proceed.

Mr. KLIPSTEIN. A note should be made regarding exports during the first quarter of 1951, the quota, excluding Canada—we treat Canada and ourselves the same.

Senator AIKEN. Canada imports for the paper industry.

Senator JOHNSTON. Does she treat us the same in all negotiations?

Mr. KLIPSTEIN. A good deal of the sulfur comes back indirectly.

The CHAIRMAN. Do you have the allocation of sulfur altogether or have you anybody in higher authority than you to deal with it?

Mr. KLIPSTEIN. The export quotas are determined above our division, because ECA——

The CHAIRMAN. All you do is recommend?

Mr. KLIPSTEIN. That is correct.

The CHAIRMAN. Now in the allocation to the domestic industry, is your agency the last word?

Mr. KLIPSTEIN. Not the last word; no, sir. We, as the industry operations division set up the distribution of it and it is always possible and proper to appeal.

The CHAIRMAN. To what extent are your allocations reversed or checked?

Mr. KLIPSTEIN. So far we haven't actually allocated sulfur. Generally they hold because, I think, not because we are perfect, but because we are so much closer to the problem and to the details of it that I actually know of no cases since I have been here, at any rate, that have been reversed.

The CHAIRMAN. What is your yardstick in the allocation of sulfur and to what extent do you consider agriculture in the picture?

Mr. KLIPSTEIN. Military needs get first, I don't say superior, but certainly first consideration. Then we split the rest up as equitably as we can among the various consuming industries.

Senator JOHNSTON. You mean you don't give agriculture any preference at all?

Mr. KLIPSTEIN. May I go back to the hundred percent limitation that we placed on the original order, M–69. Sulfur goes so broadly through so many industries that it is terribly difficult to pick out one spot and say that should be superior without hurting some other.

It will become evident later on that just sulfuric acid alone is only one chemical that is involved in the agricultural side. A later table here will show in our expansion program such things as allethrin, chlorine, phosphorus, polyethylene—all go into agriculture. I don't know if I have made myself clear, but it is so widespread all the way through that indirectly sulfur gets back into almost every operation.

The CHAIRMAN. Of course, I am sure that you give weight to the use to which the sulfur is put.

Mr. KLIPSTEIN. Indeed, sir. I think I will make that quite clear.

Senator AIKEN. Agriculture is one of the greatest end users of chemicals generally.

Mr. KLIPSTEIN. That is right.

The CHAIRMAN. That is why I presumed you were giving it first priority or that you should. It is my contention that it ought to be above or equal to the military, as I indicated with steel, because food and fiber are the things that make the clock tick, you know.

Mr. KLIPSTEIN. Yes.

The CHAIRMAN. Off the record.

(Discussion off the record.)

The CHAIRMAN. We will recess until 2 o'clock, and witnesses who have been asked to be here this morning will kindly be back at 2 o'clock.

I am sorry, Mr. Klipstein.

Mr. KLIPSTEIN. That is all right.

(Whereupon, at 11:50 a. m., a recess was taken until 2 p. m., of the same day.)

AFTERNOON SESSION

The CHAIRMAN. The committee will be in order.

I have here a letter from the National Fertilizer Association, addressed to me, transmitting a statement from the Knoxville Fertilizer Co., which might be of interest to the committee, and also a letter from Hon. Robert B. Chiperfield, Member of Congress, that I would like to place in the record at this point, and a letter from Mr. Kenneth A. Spencer, of Spencer Chemical Co., referring to some testimony we had on September 21. That will be put in the record.

(The letters above referred to are as follows:)

KNOXVILLE FERTILIZER CO.,
Knoxville, Tenn., September 17, 1951.

In re sulfuric acid.

SENATE AGRICULTURAL AND FORESTRY COMMITTEE,
Washington, D. C.

GENTLEMEN: This memorandum bears entirely upon our shortage of sulfuric acid and superphosphate.

We have no sulfuric-acid chambers and have been dependent upon the Tennessee Corp. for the 30 years that we have been in business for sulfuric acid. We received from January 1, to August 1, 1951, just 56 percent of the sulfuric acid that we received during the same period last year. We have done everything we could in prevailing upon the Tennessee Corp. to increase their shipments to us. We took the matter up with Mr. L. G. Porter, of the Office of Materials and Facilities of USDA. We took the matter up with Mr. J. G. McMullen, of the Inorganics Chemical Section of the National Production Authority. Up to now we have had no results.

There are no other producers from which we could get sulfuric acid.

While we were getting only 56 percent of the sulfuric acid upon which we are wholly dependent for superphosphate, the National Fertilizer Association report on the production of superphosphate in the United States shows an increase of about 7 percent for the first 6 months of 1951 over the first 6 months of 1950. This indicates a gross inequity in allocation and distribution. We know that the Tennessee Corp. has been required to ship sulfuric acid into territory that they have not shipped it before and into territory where sulfuric acid is produced.

A number of the companies that ordinarily ship very little or no fertilizer in a part of the territory that we serve are now shipping superphosphate into that territory and complete goods along with it. This will not take care of the superphosphate situation in the territory, however. We have been unable to ship any superphosphate whatsoever for 10 months, being compelled to utilize what we could make for complete goods to take care of the row crops and the crops that necessarily require other elements as well as superphosphate. We were able to buy considerable superphosphate last fall but are unable to buy any now.

We are enclosing a copy of our acid shipments which represents the number of cars shipped each month during the years of 1949, 1950, and through July of 1951. These cars have averaged about 52 tons of acid per car. This is, of course, 60 percent sulfuric acid and represents all of the acid that we have been able to get from any source for our three plants (Knoxville and Nashville, Tenn., and London, Ky.

We pray for relief for ourselves and our customers who are the farmers of a large area.

Very truly yours,

JAMES W. DEAN.

Sulfuric acid receipts

	1949 total	1950 total	1951 total
January	55	63	37
February	46	74	26
March	55	63	53
April	46	66	46
May	65	88	50
June	78	94	45
July	78	81	42
Subtotal	423	529	299
August	59	42	----
September	45	36	----
October	53	43	----
November	42	44	----
December	52	43	----
Total	674	737	299

HOUSE OF REPRESENTATIVES,
Washington, D. C., September 20, 1951.

Hon. ALLEN J. ELLENDER, Sr.,
Chairman, Senate Committee on Agriculture and Forestry,
Senate Office Building, Washington, D. C.

DEAR SENATOR: The district I represent is a great agricultural area in the State of Illinois, as well as the farm machinery capital of the world. Located in my district are such farm-equipment manufacturers as International Harvester, John Deere, J. I. Case, Minneapolis-Moline, and others.

In recent months I have been concerned with the outlook of food-and-fiber supplies necessary to meet present military and civilian needs, and to replenish dangerously low reserves. The Department of Agriculture's analysis of such supplies clearly indicates the seriousness of our present condition, and the necessity of increasing food-and-fiber production .

In this regard the recent Nation-wide farm-to-farm survey of that Department demonstrates that necessary food-and-fiber goals will require an increase of 115 percent over 1949 in the production of new farm machinery, and 120 percent over 1949 in the production of repair parts. It is very disturbing to discover the record revealing that the steel allotment to farm machinery manufacturers for the fourth quarter of this year is substantially below the quarterly tonnage of steel used by the industry in its 1949 production. The industry requested 690,000 tons of steel in this fourth quarter and apparently was alloted 528,000 tons. It is the considered opinion of those in the industry and others, that if this level of allotment continues, the industry will be unable to produce in 1952 more than 65 percent of the machinery necessary to meet the estimates of the Department of Agriculture, and very probably less than this amount. This conclusion is borne out by the extensive hearings held on this subject matter by the House Committee on Agriculture in March of this year.

Thorough and careful studies of the amount of farm machinery needed in relation to farm production goals have been made, taking into account the gradually deteriorating manpower situation on farms. These studies without exception develop the conclusion that more tractors and more labor-saving machines are needed by farms to produce the increased quantities of food and fiber necessary to maintain a strong military and economic position.

My concern and that of many people in my district over the present condition of our food-and-fiber supply and reserves, and the potential farm machinery production is, I believe, not one based purely on speculation. I recall vividly the food-and-fiber condition which developed during World War II, subsequent to the cut-back of steel allotments to the farm machinery industry beyond the requirements recommended by the Department of Agriculture and the industry itself.

In 1943 the farm machinery program reached its lowest point during World War II. The farmers had begun to feel the pinch of severe scarcity, and inadequate production of farm machinery made necessary a drastic rationing program. Food production became a national concern and the problem caused an investigation by the House Committee on Agriculture, of the farm machinery situation; and also by the Senate Investigating Committee known as the Truman committee.

The Truman committee investigation was directed at the manner in which the War Production Board had handled farm machinery production. Following the investigation the Senate committee recommended, in effect, that the WPB policy be liberalized, and that the farm machinery recommendations of the War Food Administration be given greater weight by the Chairman of the WPB. From this time on the situation improved insofar as authorization to produce was concerned, but the ability of the industry to produce had been seriously effected. From 1943 on to the end of the war production schedules of needed machines were behind schedule. The reason for this was that the production of tractors and farm machinery, as carried on in a modern mass production plant, cannot be turned on and off at will. Skilled labor had been shifted to other jobs; contracts with component suppliers had been broken; and places on steel mill schedules had been lost.

Farm machinery requires lead time from authorization to finished product of at least 6 to 9 months. This lead time must be carefully geared to seasonal planting and harvesting so that finished machines do not arrive on the farm too late to take care of the needs.

I am firmly convinced that we must not repeat the mistakes made in World War II in this matter of food and fiber production, and the tools necessary for this production. I am impressed with the statement made by Mr. David Meeker,

formerly with the War Food Administration, at the hearing held by the House Agriculture Committee in March 1951, on this subject matter, and would like to set forth at this point a portion of his remarks in respect to the World War II situation:

"In conclusion, it seems to me that if we had been able to establish the essentiality of agriculture, secured an understanding of the fact that tractors and implements are the machine tools of agriculture, obtained a realization that the total steel requirements were not more than about 3 percent of the total supply, had been able to register the fact that even in a hot war this amount of material was no significant in relation to the need to safely maintain and increase the production of food and fiber and had allocated the necessary materials and permitted the farm machinery industory to go ahead with the production of the needed farm machinery, that we would have done a more effective job of providing the country with food, would have saved considerable control machinery, and its questionable results, would have reduced the need for imported foreign labor in many areas, would have done much to help food rationing and minimize the attendant black markets and, finally, would have made the production job of agriculture much easier than it was."

It appears to me that Mr. Meeker has well stated the principles that should be applied in our present handling of farm machinery production. I was happy to note that Mr. Manly Fleischmann, at this meeting, agreed with those principles in his testimony. He assured the committee that the production of farm machinery was and would be considered as most essential in any controlled materials program; and because of this essentiality would receive top rating. I am alarmed that his disposition on this matter has not resulted to date in such consideration for farm equipment manufacturers.

It seems to me that the history on this subject matter during World War II demands that we adjust the present steel allotment levels for farm equipment manufacturers to at least the 690,000 tons per quarter which was used in the 1949 production.

I appreciate the short supply of steel and the great problems that you have in your allotment program. I also appreciate that a short-sighted approach to the food program of this country at this time will place us in a position of gambling with a most vital element of our economy which definitely will result in problems of much greater stature.

The early attention of your committee to the problem of the increase of the steel allotment to the farm machinery industry for the first quarter of next year and succeeding quarters will be of great service, and in my mind to the best interests of our country.

Enclosed for your information and files is a marked copy of the hearings on the subject matter held by the House Committee on Agriculture in March of this year. I have found the testimony contained therein to be most informative.

To bring you up to date I am also enclosing a copy of the release on the Nationwide survey in respect to increased farm machinery requirements which was made by the Production and Marketing Administration of the Department of Agriculture and issued in August of this year.

Sincerely yours,

ROBERT B. CHIPERFIELD, M. C.

SPENCER CHEMICAL CO.,
Kansas City, Mo., September 21, 1951.

Senator ALLEN J. ELLENDER,
Chairman, Senate Agricultural and Forestry Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR ELLENDER: During my testimony before your committee this morning (September 21, 1951), you asked me to supply your committee with a list of ordnance facilities still in the custody of the Ordnance Department of the Army, which plants contain nitric acid units.

According to the last published information available to us as contained in table IX, page 41, of the Report by the Surplus Property Administration to Congress dated November 12, 1945, titled "Chemical Plants and Facilities," we have compiled a tabulation which is attached showing the ordnance facilities by name, their geographic location, and the approximate daily tonnage of 100 percent nitric acid at each facility We have some general knowledge of these plants and know that some of the nitric acid units are the so-called Hercules units and some follow the Du Pont patents. There is some variation in the daily output of the two types of nitric acid unit. We think, however, it is safe to assume that each unit would average something just under 50 tons per day per unit. With this assumption we have prepared a fourth column showing the approximate

number of nitric acid units at each ordnance facility, and finally in the last column we have indicated the status to the best of our information of each of these facilities. You will observe that the Ordnance Department has under its custody approximately 5,544 tons per day of 100 percent nitric acid capacity, comprised of approximately 105 units. As I stated in my testimony, about 15 percent of this capacity (18 units) is currently being utilized by the Army. It is our understanding that nitric acid facilities at Holston, Kankakee, Radford, Sunflower, and Wabash River are being partially used by the Ordnance Department. This does not mean that all of the units at any one of these facilities are being utilized. We wish to point out that this data is the best information available to us. We do not have access to the confidential files of the Ordnance Department, but we believe it is substantially correct.

The Spencer Chemical Co. needs four of these idle units. I presume there are other companies within the nitrogen industry that are in the same position. I do not, however, know the detailed requirements of other companies in the industry.

During this hearing you asked whether other companies in the industry who have been certified to construct nitrogen plants have encountered the same disappointing experiences as Spencer Chemical Co., of being unable to secure allocation of steel during the fourth quarter of ths year and thereafter. Mr. Paul T. Truitt, president of the American Plant Food Council, is making a survey of the industry and will promptly give you a list of companies that have secured certificates of necessity and indicate the location and the approximate cost of the plants certified. The detailed status of the allocaton of steel at these several plants can be determined from NPA.

I take this opportunity to thank you and the members of your committee for the time, patience and cooperation you demonstrated this morning. The problem we attempted to present is pressing. We believe the best interests of agriculture can be served without interfering with the over-all mobilization program. To be more specific, it is suggested that agriculture can be greatly assisted if your committee will determine from Under Secretary of the Army, Mr. Alexander, or the Munitions Board the exact status of the nitric acid units now in custody of the Ordnance Department as set out in the accompanying exhibit. Second, if your committee concurs, then it recommend that a fractional portion of the Nation's steel capacity be earmarked to the expanding nitrogen program through the Facilities and Construction Bureau of NPA. Finally, I believe your committee would find it of interest if it would designate a representative to personally investigate some of the idle and stand-by ordnance facilities where these nitric acid units are presently installed.

We trust this is the information you require, and assure you that we will be most willing to work in any way we can for and with your committee in the development of any additional information you may require.

Thanking you again for your splendid cooperation, I am,

Sincerely yours,

KENNETH A. SPENCER.

Government-owned nitric-acid facilities

Name	Location	Approximate capacity tons 100 percent nitric per day [1]	Number of units	Status [2]
Alabama	Sylacauga, Ala	696	14	Stand-by.
Badger	Merrimac, Wis	200	6	Partially activated.
Holston	Kingsport, Tenn	320	6	Do.
Indiana	Charlestown, Ind	480	9	Do.
Kankakee	Joliet, Ill	594	12	Do.
Longhorn	Marshall, Tex	288	5	Stand-by.
Maumelle	Little Rock, Ark	105	2	Do.
Oklahoma	Pryor, Okla	420	8	Do.
Plum Brook	Sandusky, Ohio	685	12	Do.
Radford	Radford, Va	300	6	Partially activated.
Sunflower	Eudora, Kans	350	6	Do.
Volunteer	Chattanooga, Tenn	716	14	Stand-by.
Wabash River	Newport, Ind	180	3	Partially activated.
West Virginia	Point Pleasant, W. Va	120	2	Stand-by.
		5,544	105	

[1] The above information is based on the report of the Surplus Property Administration to the Congress, November 12, 1945, title "Chemical Plants and Facilities."
[2] Information from Messrs. Thomas and Jenkins.

The CHAIRMAN. All right, proceed, sir.

STATEMENT OF KENNETH KLIPSTEIN—Resumed

Mr. KLIPSTEIN. I was just getting into the immediate history of exports and our recommendations. During the first quarter of 1951, the quota was 230,000 tons, excluding Canada; during the second and third quarters 250,000 each; and the fourth quarter quota is now under consideration. These figures do not include 7,500 tons of refined or processed sulfur per quarter. We understand that England and other countries abroad are endeavoring to convert to pyrites burning as a substitute for sulfur in the production of sulfuric acid, as fast and as fully as possible.

They are also adding facilities for the recovery of sulfur from petroleum operations just as we are.

It should, therefore, be practical to begin to reduce exports in the near future. This Division has recommended that the fourth quarter quota be lowered to 230,000 long tons plus 7,500 tons, or less. This would reduce our estimated shortage during the fourth quarter from 106,750 to 86,750 tons, which is less than 8 percent of the estimated production.

The CHAIRMAN. To what extent are your recommendations followed?

Mr. KLIPSTEIN. In the past they have not been followed. Our Division has recommended lower quantities in, I believe, each of the preceding quarters, but the representations from foreign countries as to the serious effect it would have on their economy have been acquiesced in.

The CHAIRMAN. Who overrules you?

Mr. KLIPSTEIN. ECA and OIT are both involved, and I believe up until just recently Secretary Sawyer made the final decision which we acted on.

If my understanding is correct, he no longer will make that decison, but that will go to DPA, the Defense Production Administration. I believe I am correct on that.

The CHAIRMAN. What connection does ECA have with the distribution of sulfur? Is it a request by them that caused you to be overruled or did they have the authority to overrule you? How did that operate; do you know?

Mr. KLIPSTEIN. The authority, I think, came through Secretary Sawyer.

The CHAIRMAN. Through representations made to him by the ECA?

Mr. KLIPSTEIN. That is right.

The CHAIRMAN. You do not know anything about ECA operations, how much was financed through ECA?

Mr. KLIPSTEIN. I am trying to get that answer, Senator. It is being tabulated presently.

Senator THYE. Mr. Klipstein, the sulfur that went abroad under exports would be used for what purpose over there?

Mr. KLIPSTEIN. Just as it is in our own economy.

Senator THYE. In other words, would some go to fertilizer mix?

Mr. KLIPSTEIN. Yes, sir.

Senator THYE. And some of it went to the industrial plants?

Mr. KLIPSTEIN. Yes. It is so broadly used in every nation that I do not think it would be any different; at least the bulk of it would be the same pattern presumably.

Senator THYE. In the event the foreign countries could not obtain it here, where elese would they turn to obtain it?

Mr. KLIPSTEIN. There are no other comparable sources of supply of sulfur in the world to our Gulf-area deposits. The substitutes would have to be relied on for a major part. There is some sulfur mined in Italy, but it is small comparatively. We are very fortunate in this country to have such extraordinary resources as found in the Gulf areas.

Senator THYE. If we reduce the exportable amount, then what is going to happen in those countries? Will they turn elsewhere, such as Italy and increase the production there?

Mr. KLIPSTEIN. The immediate effect, I am afraid, would be a serious cut-back in their whole economy. They could not convert fast enough, find substitutes fast enough to take up the slack, because it does take such a long time to convert an installation. It is a very substantial installation.

Senator THYE. Can we step up our production here or our processing? Can we get an increased production here in the United States to fill our own needs and the exportable needs?

Mr. KLIPSTEIN. Gradually. Again it is time. The rate of production at the existing domes is at its limit. It is as fast as it can be.

The CHAIRMAN. It is a question of getting new domes; isn't it?

Mr. KLIPSTEIN. It is. There is one new dome. I will refer to that later.

Senator THYE. How is this mined; just by power shovel, or is it an underground process?

Mr. KLIPSTEIN. No; it is called the Frasch process. Sulfur melts at a high temperature, and superheated water is forced down which melts the sulfur and carries it up molten. It then has to solidify in large vats. After cooling and becoming crystallized, it is broken out by shovel or by explosive.

Senator THYE. Is it possible to step up our production here, or are we operating on the domes that now are in existence with the full capacity possible?

Mr. KLIPSTEIN. That is correct.

Senator THYE. You are at the peak?

Mr. KLIPSTEIN. That is correct.

The CHAIRMAN. There are several domes that were exhausted here recently. We have quite a few in Louisiana, you know: We have a large one near the river, and, as the witness has stated, there was another discovery at Garden Island, which is just south of this other large one and in my own parish they are going to start producing sulfur probably in the next 16 months.

Mr. KLIPSTEIN. Three or four more domes would solve our problems.

The CHAIRMAN. They are getting scarce, though. I notice that there has been alloted 7,500 tons of processed sulfur. What is that used for?

Mr. KLIPSTEIN. For agricultural dusting.

The CHAIRMAN. And medicine?

Mr. KLIPSTEIN. I think it is agriculture. It is processed sulfur. In other words, it is ground sulfur. We have ample facilities for that pupose, so it is processed and made ready for use as a dust.

The CHAIRMAN. I see. Very well.

Mr. KLIPSTEIN. I would like to discuss next some of the steps being taken by ourselves, Petroleum Administration for Defense and Defense Minerals Administration to encourage new sources of sulfur and how we are planning to improve the maldistribution which has just recently begun to be felt.

New sources of sulfur include recovery from sour gas for which 10 plants are now under construction and which will bring in 253,000 long tons annually. There are eight new plants being installed which will produce sulfuric acid from pyrites and smelter gas and which will result in the equivalent of 213,000 long tons of sulfur annually. Some will come into operation during the fourth quarter of 1951. Total production will, therefore, be increased by 466,000 long tons sulfur equivalent. I say sulfur equivalent; some of its comes in as smelter gas.

The CHAIRMAN. What is the difference in price of this sulfur that you speak of to the brimstone?

Mr. KLIPSTEIN. It is higher cost. It is different in each case, depending on the location, amount of investment, and the total cost of getting it, but, in general, we can say it is higher cost sulfur. By that I do not mean to say there that in every instance it is not economic. It is, but it is still high priced.

Top priority assistance is being granted such installations and certificates of necessity covering them have also been approved or recommended. We know that, despite high cost, similar installations are under consideration by other consumers, which will augment the supply still further.

Production by marginal mines in the West and Mexico and recovery from petroleum sludge and other sources of spent acid are being encouraged. Pickling acid is being used more efficiently, in some instances down to a concentration of 12 percent as against 18 percent. This represents a substantial saving. Recovered acid has always been important in the manufacture of superphosphate and ammonium sulfate because of its low cost. As the use of virgin acid is increased, more spent acid will become available to the fertilizer industry.

We propose as an additional incentive to revise Order M–69 to provide that any sulfur user recovering sulfur from new sources must be allowed to increase his permissible use by 50 percent. Thus if limited to 100 percent of his 1950 base, he would be able to increase his use to 150 percent of his 1950 base. If he were able to bring in more new sulfur than his permissible use, the excess would fall under the normal provisions of the order.

Discovery of a new dome was announced just recently by the Freeport Sulfur Co. in the Gulf area which is expected to yield 500,000 long tons per year. This, together with the other new sources which I have mentioned, will just about meet the goal of 1,000,000 tons refered to in Secretary Brannan's report last Thursday. Unfortunately, it will take time to bring in all these new facilities and during the coming months the situation will be serious. The shortages are certain to continue for the next year and will probably not begin to ease until the fourth quarter of 1952.

Senator THYE. At what depth down in the ground are these deposits? I am thinking now of the necessary steel and equipment that will have to go into the development of that dome.

Mr. KLIPSTEIN. Not as deep as the oil wells.

Mr. ARDEN. The sulfur wells are around 1,500 feet, somewhere around there.

Mr. KLIPSTEIN. There are 74 merchant producers of sulfuric acid, 84 captive sulfuric acid producers who make superphosphate, and 20 others who produce acid solely for other purposes. During the early part of this year we received comparatively few complaints. During the last 60 days we have received 44, reflecting clearly increasing maldistribution and the immediate need for corrective action.

The CHAIRMAN. Do you tell us what you are doing in order to alleviate that situation?

Mr. KLIPSTEIN. Yes, I will go on to explain that.

During the first 6 months of this year 5,065,617 short tons of normal superphosphate were produced, equivalent to an annual rate of over 10,000,000 tons, as against 1950 production of 9,296,051, according to United States Department of Commerce figures. This rate was the largest in the history of the industry. The sulfuric acid producers during this period were using up their inventories, when inventories began to be depleted and permissible use was reduced to 100 percent of 1950 average, the pinch began to be felt not only by the fertilizer industry but other users as well.

Controls will not result in greater production of sulfur but will make possible distribution of such quantities as are available to the right individuals at the right time. We have drafted an amendment to M–69 which will reduce permissible use to less than 100 percent of the 1950 base. In the first place, this will reflect the situation as it actually exists. In the second place, it will make more sulfur available to those plants now receiving only as much as 50 percent of their requirements. In the third place, it will permit support at a somewhat higher rate than 100 percent of 1950, of certain selected programs, such as steel and aluminum.

The CHAIRMAN. To what extent are you bringing agriculture into the picture on a selected basis as you are doing for steel and aluminum?

Mr. KLIPSTEIN. We are examining, let us say, the minimum requirements which will permit each of the various industries to achieve their goal. In other words, we are seing how the effect would be in arriving at that.

There is no exact figure. It is under discussion right now, but that is, in general, the approach to make sure that no program is seriously adversely affected.

The CHAIRMAN. You realize that some programs could probably suffer more than others, particularly with respect to the production of phsophates?

Mr. KLIPSTEIN. Yes; that is correct.

The CHAIRMAN. And our hope is that you will see to it that the phosphate industry gets what the traffic will bear, in other words.

Mr. KLIPSTEIN. We are trying, of course, to meet as fully requirements as we possibly can. I would like to emphasize this.

The concept of the chemical industry is that we are really a service industry to other industries. Steel absolutely has to have sulfuric acid to permit steel production, for pickling, but they may not need every pound that they are getting and the extent that we can cut back to a minimum essential is important, and the same thing is true of aluminum. They depend on sulfuric acid, and wherever we can cut

without seriously jeopardizing the end product, we are going at it that way.

Since three-fourths of the sulfur produced is used for sulfuric acid, a parallel order limiting the use of sulfuric acid will also have to be issued. No limitation on the use of sulfuric acid has heretofore been in effect except in 11 Western States, where it is presently under allocation.

That simply backs up the fact that the two must be considered jointly.

There will be no reduction in the total production and consumption of sulfur as a result of these proposed limitations. Every available pound of sulfur will be put to use.

The limitation provisions may take several months to be felt. Since the problem is so urgent, we plan to add to Order M–69 an inventory provision restricting stocks at consuming plants to a maximum of 25 days, except in cases where normal shipments, such as boats or barges, would result in greater than a 25-day supply. In such cases, new shipments chould not be received until inventories had fallen to 25 days or below. Since some plants have substantial inventories, it is expected that there will be made available for redistribution a substantial tonnage of sulfur during the coming quarter, perhaps as much as 75,000 tons. This benefit can be realized only once. Excessive accumulation, however, will be prevented in the future.

Since nitrogen is not dependent on a raw material in short supply, as superphosphate is dependent on sulfur, production is limited only by installed capacity. The available supply of fixed nitrogen from all sources during 1951 is estimated at 1,790,000 tons. To this must be added the potential capacity of the Morgantown Ordnance Works, estimated at 164,000 tons, which, however, may not actually be in production until 1952. Requirements in 1953 for agricultural, industrial and military purposes are estimated at 2,564,000 tons. An expansion of facilities totaling 610,000 tons nitrogen is therefore required to meet 1953 estimated needs.

Proposed expansions as reflected in applications for certificates of necessity exceed this figure so that there is no doubt that it will be realized, although a part may not come into production until as late as 1954. The producing units are large, and it takes time to fabricate and install the equipment.

Supplies of byproduct ammonia will increase steadily as the steel industry expands. The entire quantity of ammonia produced from byproduct coke ovens will be recovered. The increase will be of the order of 10 percent per year through 1953. 1951 production is estimated at 200,000 tons nitrogen.

The Department of Agriculture has estimated that an annual increase of 100,000 tons nitrogen per year after 1953 will be needed to keep pace with rising population.

With regard to potash, it is estimated that 1,423,600 tons will be produced during 1951 and 140,000 tons imported. The corresponding figures for 1952 are estimated at 1,573,800 and 150,000, an increase of 10 percent. Industrial uses for potash are comparatively small, and the major portion of the total supply will go to fertilizers.

The new facilities for the recovery of sulfur, for conversion of sulfuric acid plants to pyrites burning, and for synthetic ammonia require a substantial tonnage of steel and other critical materials. The chemical industry's expansion program is second in size only to that of the steel industry.

Applications for structural steel for the fourth quarter for approximately 800 projects totaled 52,000 tons—note that is structural—against which 19,780 tons were allotted. To this must be added 2,642 tons transferred by the Department of Agriculture specifically for certain of the new ammonia plants.

This division, after consultation with other agencies, recommended prime consideration for 20 chemicals—that is out of a good many, I think, actually 5,000 commercial chemicals, 20 were given prime consideration—among which the following directly or indirectly support agricultural needs:

Product	*Agriculture uses*
Allethrin	Pesticides
Chlorine	Do.
Sulfuric acid	Fertilizers and pesticides
Ammonia	Fertilizers
Phosphorus	Pesticides
Polyethylene	Food packaging
Hydrogen peroxide	Food processing
Carbon disulfide	Fumigants

Approval has been or is about to be granted by the Facilities and Construction Bureau allotting construction materials to 14 sulfuric acid projects—principally conversions—and 10 ammonia projects, which are the two items most essential to fertilizer production.

The Chemical Division will continue to make every possible effort to correct inequities in distribution caused by the shortage of sulfur and sulfuric acid and to encourage and to complete projects which will augment the supply of fertilizers and pesticides.

The CHAIRMAN. Any questions?

Senator HOLLAND. I have a question, Mr. Chairman.

I note that in your statement you deal with the production of potash and of ammonia, and you also mentioned the production of superphosphate, triple superphosphate, but not the production of phosphate itself. Is there any particular reason why you felt it unnecessary to mention hosphate production?

Mr. KLIPSTEIN. I believe I am correct on this. The supply of phosphate, phosphate rock and the mining of it is adequate.

Senator HOLLAND. Then it would be proper to consider in your statement that as far as production of the raw phosphate rock is concerned, it is ample?

Mr. KLIPSTEIN. Yes, sir.

The CHAIRMAN. Thank you very much, sir.

Is Mr. Allstetter here?

Mr. ALLSTETTER. Yes, sir.

The CHAIRMAN. Will you step forward please. Senator Holland desires to ask you a few questions.

90402—51——10

STATEMENT OF W. R. ALLSTETTER, DEPUTY DIRECTOR, OFFICE OF MATERIALS AND FACILITIES, PRODUCTION AND MARKETING ADMINISTRATION, UNITED STATES DEPARTMENT OF AGRICULTURE

Senator HOLLAND. Thank you, Mr. Chairman.

Mr. ALLSTETTER. I am W. R. Allstetter, Deputy Director of the Office of Materials and Facilities, Production and Marketing Administration.

The CHAIRMAN. All right, Senator Holland, you said you had some questions.

Senator HOLLAND. I might say, Mr. Allstetter, that Mr. Clark Thompson, Member of Congress from the Galveston district of Texas, was particularly interested in this and he asked me to go into this question with the proper witness from the Department of Agriculture to develop the facts for the record. Have you seen the proposed questions of Mr. Thompson?

Mr. ALLSTETTER. I have, yes, sir.

Senator HOLLAND. All right, I would like to address them to you, first placing in the record the preliminary statements supplied to me by Mr. Thompson. I can read it for the information of the committee.

The CHAIRMAN. It will be placed in the record at this point.

(The document above referred to is as follows:)

MEMO FOR SENATOR HOLLAND

Urea is a product long recognized as a valuable and important fertilizer and supplement for cattle feed. It is a nitrogenous compound and since the bacteria in a cow's paunch use nitrogen for food, urea becomes a very important ingredient when properly used.

Urea works in a cow's paunch by supplying valuable nitrogen to the bacteria that are always there. When a plentiful supply of nitrogen is available to the bacteria in the paunch, these bacteria become more active and multiply more rapidly. The result is they really go to work making ready for digesting the ration the cow eats, resulting in more complete assimilation of the total ration.

The supply of urea has been very limited and its originaally known sources were insufficient to supply the demand. In recent years it has been discovered that natural gas is a source of urea and a properly equipped plant can furnish this chemical in quantity.

Senator HOLLAND. The first question: What is the current annual production of urea?

Mr. ALLSTETTER. Urea is produced by two companies and a portion of it goes to agriculture. The exact quantity produced by these two companies is not information which we have because it is considered private competitive information.

We do have, however, information as to the amount of urea that is going to agricultural purposes which is a fraction of this total. About 50,000 tons of urea annually goes into urea compounds which go into fertilizer. They are fertilizer.

Something less than half that amount is used as a protein feed supplement for cattle, ruminants.

Senator HOLLAND. In other words, you do not have available the figures as to the total production of urea or as to that specific part of the production which goes to supplement cattle feed, but you do have the figure as to the total amount of urea that goes into commercial fertilizers.

Mr. ALLSTETTER. It is about 20,000 for cattle feed, it is 50,000 for fertilizer.

Senator HOLLAND. And your 50,000 figure is an accurate figure?

Mr. ALLSTETTER. Yes, sir, we believe it to be accurate.

Senator HOLLAND. Would you explain for the record just what urea is.

Mr. ALLSTETTER. Urea is a nitrogen compound. It is derived from ammonia as are most of the other nitrogen fertilizers. It is a particularly desirable form of nitrogen fertilizer for several reasons.

One is that it is a solid form of very high analysis. The fertilizer grade has approximately 44 percent nitrogen as compared to, say, 33 percent in ammonium nitrate and 21 percent in ammonium sulfate. Therefore you can ship 100 tons of nitrogen in that form over long distances for the same freight cost as three-quarters or one-half as much nitrogen in other forms.

Senator HOLLAND. It is a concentrate as far as this nitrogen content is concerned.

Mr. ALLSTETTER. Yes, sir. Also, it is a safe material to handle which, in connection with ocean shipping particularly and coastwise shipping and river shipping, is very important. Such things as happened at Texas City could not happen with urea.

Senator HOLLAND. You mean it is not explosive?

Mr. ALLSTETTER. It is not explosive. It has some other special advantages in that it can be actually sprayed directly on the leaves of plants.

On some plants on which you wish to control the amount of nitrogen that is applied, the amount that is needed can be applied and then shut off at the right time. It can be used for a very quick shot and a small shot of nitrogen. Also, urea can be used to replace some uses of ammonium sulfate, which, of course, requires sulfur in substantial quantities. It can be used to replace it in rice. Ammonium sulfate is the principal material that is used now as a nitrogen rice fertilizer.

Another advantage that is very substantial is that it can be used as a cattle feed supplement. One of the critical problems, of course, is to get enough yield of meat for the amount of grain fed. By protein supplements the yield can be increased, and there are some limits it would appear, looking at the over-all picture, some limits on the amount of protein supplements that farmers will be able to obtain over a long period of time. Urea mixed with the natural protein substances can serve equally well as a natural protein supplement, according to recent experiments. Urea has something like six times the protein value of natural protein supplements.

Senator HOLLAND. The second question which I was requested to ask is this: If no new sources are found, what would be the estimated shortage in the next 3 years?

Mr. ALLSTETTER. I can estimate the fertilizer shortage. There are many other uses of urea, to make plastics and other chemicals, and Mr. Klipstein could expand on that, but for fertilizer the Department of Agriculture has just completed a study on what would be the desirable amount of nitrogen of the 700,000-ton expansion requested that should go into urea, and it is substantial; 130,000 tons of nitrogen in the form of urea. That is about 300,000 tons of urea.

In other words, in 1953–54, if we do not get any more urea, why that will be considered the shortage. About a sixfold increase is the position of the Department as being desirable in the next few years.

Senator HOLLAND. In other words, the Department in the near future would like to see the presently available amount of around 50,000 tons for fertilizer use increased six times.

Mr. ALLSTETTER. Yes, sir, and there is some additional need for feed, but that is a very hard one to estimate.

Senator HOLLAND. The third question is this: What step have been taken to increase the present production?

Mr. ALLSTETTER. It has largely been a matter of persuasion. I think I am correct in saying that practically all of the leading nitrogen producers and many other companies have been approached by the Department of Agriculture with regard to production of urea, and many of them have evinced interest. There have been a lot of nibbles, but there has been no firm proposition presented other than by one company, which has presented an application for assistance in the financing of a urea plant, and that has been recommended by the Department to the Defense Production Administration, and is under consideration by that organization.

Senator HOLLAND. All right. Thank you, sir.

Mr. ALLSTETTER. Thank you, Mr. Chairman.

The CHAIRMAN. The next witness is E. J. Fanflik.

Have you a prepared statement?

STATEMENTS OF E. J. FANFLIK, CHIEF, MANAGEMENT AND DISPOSAL DIVISION, REAL ESTATE, CORPS OF ENGINEERS; H. D. REYNOLDS, AMMUNITION BRANCH, ORDNANCE CORPS; AND S. D. BLAEUER, CHIEF, INDUSTRIAL LEASING MANAGEMENT BRANCH, REAL ESTATE, CORPS OF ENGINEERS, DEPARTMENT OF THE ARMY

Mr. FANFLIK. We have no prepared statement. We were requested to appear to give information with respect to ammonia plants which are under the control of the Army and which are available for nitrogen production.

My name is E. J. Fanflik. I am in the office, Chief of Engineers, Real Estate, and our responsibility is to lease or sell such plants as may be made available by the Department of the Army.

Mr. Blaeuer is my principal assistant on industrial plants.

Mr. Reynolds is from the Ordnance Department, and their responsibility is the maintenance and operation of such plants for Army purposes.

The CHAIRMAN. First can you give us a résumé of those plants that are available at the moment?

Mr. FANFLIK. There are three anhydrous ammonia plants which are in a stand-by status. One is the San Jacinto Ammonia Works which is presently leased to the San Jacinto Chemical Corp.

The second one is called the Cactus Ordnance Works which is presently leased to Phillips Chemical Co.

Both of those plants are in Texas. The San Jacinto Ammonia Works has a rated capacity of anhydrous ammonia production of about 70 tons a day or approximately 25,000 tons a year. The Cactus

Ordnance Works has a capacity of approximately 140,000 tons of anhydrous ammonia a year.

The third anhydrous ammonia plant which is available for lease, is the Morgantown Ordnance Works located in West Virginia, which has a capacity of 600 tons a day, or approximately two-hundred-and-twenty-thousand-some tons a year.

The status of the leasing is that we have negotiated satisfactory terms and conditions of a lease with the Mathieson Chemical Corp.

The CHAIRMAN. You mean for the Morgantown plant?

Mr. FANFLIK. For the Morgantown Ordnance Works, yes, sir. That lease has been executed by the Mathieson Chemical Corp. It has not been executed by the Department of the Army, however. The lease terms have been submitted to du Pont, which has a right of first refusal on that plant.

The CHAIRMAN. Now, this ammonia is going to be from the three plants you just mentioned. Is that going to be used for fertilizer?

Mr. FANFLIK. The two plants, Cactus Ordnance and San Jacinto are used in fertilizer. This undoubtedly will be used in fertilizer to some extent.

That plant is also designed to produce formaldehyde and methanol, and presumably Mathieson, which is now engaged in fertilizer production at its own plants, will place a substantial part of the production, if not all, in the fertilizer production.

The CHAIRMAN. Those three plants you have just mentioned are the only plants that are owned by the Government and that can be leased?

Mr. FANFLIK. Those are the only plants that the Army has under its control.

The CHAIRMAN. Do you know of any others that are owned by the Government?

Mr. FANFLIK. No, sir; I don't.

The CHAIRMAN. You sold quite a few since the war.

Mr. FANFLIK. Yes; since the war there have been some plants sold. Last year, as a matter of fact, we sold one plant, the Ohio River Ordnance Works, to Spencer Chemical Co.

The CHAIRMAN. Is there a recapture clause in that?

Mr. FANFLIK. There is a recapture clause; yes, sir.

The CHAIRMAN. Well, tell us more about these other plants if you have anything more to add.

Mr. FANFLIK. With respect to Morgantown, the du Pont right of first refusal extends for 60 days, so that quite possibly it may take 2 months before a lease is consummated with either du Pont or Mathieson.

The CHAIRMAN. What would du Pont use it for, do you know?

Mr. FANFLIK. Presumably they would use it for fertilizer production.

The CHAIRMAN. Why were they given the refusal, do you know?

Mr. FANFLIK. They were given the right of first refusal when the plant was constructed. They were the architect, engineer, and contractor. In some of those contracts there were options and rights of first refusal granted. We hope that within the very near future Morgantown Ordnance Works will be leased.

The Department of the Army has tried to lease that plant for some years, and it seems that finally it may come to a conclusion.

The CHAIRMAN. Now as to those that have been sold, I understand that one of those was sold to the Spencer Chemical Co.

Did you read the statement of Mr. Spencer?

Mr. FANFLIK. I did not; no, sir.

The CHAIRMAN. Mr. Spencer made some statement, as I remember it, that some effort was being made to have his plant converted to its original use. Do you know anything about that?

Mr. FANFLIK. No, sir.

The CHAIRMAN. I thought you had read this. We had suggested that it be sent to you so that you might become familiar with it. You might glance over it.

While you are looking that over, we might ask you about the nitric acid units that the Spencer Chemical wishes to get for their new plant. Can you tell us anything about that?

Mr. REYNOLDS. Well, Senator, pursuing that, they leased part of the Indiana Ordnance Works, that is the nitric acid facilities, and they are now producing nitrogen solutions at Indiana from ammonia produced at Ohio River. Now we plan to reactivate Indiana, which is a smokeless powder plant, probably it will be next spring before it comes into production. We won't need all of the production of all the nitric acid capacity of the plant, but the operator who will make smokeless powder is opposed to having another operator in the same plant. That is where the situation is, Spencer as it stands now would have to vacate their lease for the nitric acid facilities when we start to make smokeless powder, which, as I say, will not be before next spring.

The CHAIRMAN. Will you have to do some alterations at this plant?

Mr. REYNOLDS. It is a stand-by plant. There, of course, will have to be rehabilitation to put it into operation.

The CHAIRMAN. Would you be able to use the same facilities that are now there and have been built by the Spencer Chemical Co.?

Mr. REYNOLDS. No; we will only use the ammonia oxidation facilities that have been leased by Spencer. We would not have any use for their solution facilities at all.

The CHAIRMAN. Are there any other plants under your control now where you could do that and thereby let this plant continue to make this acid that is now used for fertilizer?

Mr. REYNOLDS. Well, there is one other plant, Senator. An explanation, of course, involves some military security. I would be very glad to give it to the committee, but not in a public hearing, but there are very definite reasons why we want to operate Indiana as a smokeless powder plant.

The CHAIRMAN. It would not be practical to use other facilities that you could reactivate?

Mr. REYNOLDS. It would not be because of the fact that Indiana is the largest plant of its type that we have, and we want to have that plant.

We are not going to reactivate the whole plant under present plans, but we want to have the nucleus, that is, an operating organization in there so in the event of full mobilization, we have something to build on.

It is the most important smokeless powder plant we have, plus the fact that adjacent to it is a powder-bag-loading plant, so you

would just have a shuttle movement to the bag loading plant, whereas any other plant you have rail hauls of a pretty good distance.

The CHAIRMAN. What will become of that part of the plant that will not be used by you and that you say cannot be operated jointly with Spencer and the War Department?

Mr. REYNOLDS. We don't say that. It is the operator who is going in there who prefers not to have two contractors in there.

The CHAIRMAN. It is not the Army that is taking that position?

Mr. REYNOLDS. No; I do not think the Army would have any objection if our smokeless powder contractor were agreeable.

The CHAIRMAN. What would be the objection on the part of the operator?

Mr. REYNOLDS. I have never talked to him. It is the Spencer people that have talked with them, and I have never talked with them directly on the matter.

The CHAIRMAN. Well, this facility, as I understand it, has been activated by the Spencer people in order to produce this nitric acid.

Mr. REYNOLDS. Right.

The CHAIRMAN. That is right, isn't it?

Mr. REYNOLDS. That is right.

The CHAIRMAN. Now I wonder if it could be arranged to continue the manufacture of this acid either through Spencer or through this new concern if it cannot be otherwise arranged.

Mr. REYNOLDS. Senator, I don't know. As I say, I have not discussed it with our operator at all. I know the Spencers had several discussions with them, and last week they had some discussions in the Under Secretary's office on the whole problem, and I understand our operator is adamant about having a second contractor in there. I don't say that it cannot be done, that physically it cannot be done, I do not say that, but I think the feeling of our operator is when you operate these Government plants which are Government-owned, contractor-operated on a cost-plus fixed fee, the operator has a basic responsibility for the property and so forth, and it would raise a lot of questions as to the responsibilities of each between Spencer and our operator.

The CHAIRMAN. It seems a great pity that in the light of such shortness of this acid that something could not be worked out. I do not see why the Army does not try to do it.

Mr. REYNOLDS. Well, possibly the Army should, I don't know. Of course, basically——

The CHAIRMAN. Who has the last say on that?

Mr. REYNOLDS. I don't think that the Army—and I cannot speak for the Army as such, but my personal opinion is that they would not ask an operator of theirs to do something which is against their company policy.

The CHAIRMAN. They would not.

Mr. REYNOLDS. I do not think they would, sir.

The CHAIRMAN. On page 4 of this statement, I will read to you a paragraph or two:

This would indicate a use of not more than 15 percent of the total nitric acid units the Army has scattered at plants throughout the country (such as the West Virginia Ordnance Works, the Oklahoma Ordnance Works, and others). It appeared that if an arrangement could be made to purchase or even lease only four of these idle units from the Government at a fair price, they could

then be dismantled at some ordnance facility and moved to Henderson, Jayhawk, or the proposed new Vicksburg Works of the company. These idle nitric acid units would then be adjacent to a going ammonia plant and, in the case of Henderson, at a facility subject to the national security provisions. This entire program, of course, would be carried out by the company at its own expense and without cost to the Government.

What have you got to say about that?

Mr. REYNOLDS. Well, in the first place such units as such are of utterly no advantage to us during a war. We are not going to use ammonia nitrate for munitions and we would have to ship the nitric acid to a plant.

We only make the nitric acid as a source of nitrogen and smokeless powder and explosives, and therefore we did at two of our plants have nitric acid facilities with our ammonia plants where we could make solution.

That was back in the early days of the war when we were loading what we call amatol, which is a mixture of ammonium nitrate and TNT, but that was only a substitute until we could get in more TNT.

The CHAIRMAN. Now what is the difference between the products that are now being manufactured at this Indiana plant and that which you propose to manufacture.

Mr. REYNOLDS. What we would use is nitric acid, as I say, which is a raw material for nitrocellulose to make smokeless powder. We would not make the solution. These fertilizer solutions would be of no interest to us.

The CHAIRMAN. It is not a question of interest to the Army but a question of interest to get fertilizer out. Now why could there not be, if Spencer cannot be permitted to stay there because of a rule that they are trying to enforce which is against company policy, why would it not be feasible for the Army to ask this other company to either make or sell excess acid so as to provide nitric acid to the extent that it is now being manufactured by the Spencer people?

Mr. REYNOLDS. It might be, I don't know, sir. It has never been asked that I know of.

The CHAIRMAN. Could you see any objection to that?

Mr. REYNOLDS. No; I cannot unless it would be that this company would not be interested in the fertilizer program. I don't know. I don't think the Army, as such, would have any objection to it, no.

The CHAIRMAN. So that it is more or less left to the man or the company who takes it over.

Mr. REYNOLDS. That is right, sir.

The CHAIRMAN. As you see it. The Army, in other words, wants it to be put to a certain use to provide nitric acid for the manufacture of smokeless powder, and to that extent they are interested, but otherwise they would not be, is that it?

Mr. REYNOLDS. That is right, sir.

The CHAIRMAN. Dr. Wilcox, are there any other questions?

Dr. WILCOX (agricultural specialist, Legislative Reference Service, Library of Congress). I am still not clear on this statement of Mr. Spencer that there are only 15 percent of the nitric-acid units being used. Are there others available that the Army is not using? Your statement was not clear.

Mr. REYNOLDS. Oh, yes, we have nitric-acid units that are not in the present program, that is true.

The CHAIRMAN. You mean at that plant?

Mr. REYNOLDS. Different plants.

Dr. WILCOX. If I understood you correctly, you do not intend to use them again for explosives.

Mr. REYNOLDS. We do not intend to use them as the program now stands under this limited mobilization.

The CHAIRMAN. Why couldn't they be used if need to be make nitric acid so as to be used for fertilizer?

Mr. REYNOLDS. As I understand it, the Army offered to lease these units in place, and it was not feasible from an operating viewpoint. We would be glad to lease them in place. We have no objection to that.

The CHAIRMAN. And these same plants in place could not be used to make the nitric acid you need to manufacture that smokeless powder you speak of right now?

Mr. REYNOLDS. Nitric acid is usually made at the point of use. It is pretty hard material to ship, and of course very expensive, so all our plants are self-sufficient as far as nitric-acid facilities are concerned.

The CHAIRMAN. Couldn't you activate a plant, couldn't the Army activate a plant that is near one that is not being used rather than going to the field of one that is being used to make fertilizer?

Mr. REYNOLDS. I think our objections would be basically the same as Mr. Spencer's. It would not be a feasible thing to do, for us to ship nitric acid.

The CHAIRMAN. No, but I am talking about other plants. You have got other plants, you said, where nitric acid is made.

Mr. REYNOLDS. It is not being made now.

The CHAIRMAN. No, but I mean it could be made.

Mr. REYNOLDS. That is right.

The CHAIRMAN. Exactly. Why couldn't those be reactivated since you cannot lease them, rather than take one that is leased?

Mr. REYNOLDS. Well, we offered to lease them to Mr. Spencer.

The CHAIRMAN. I know, but how about one that he is operating now? Why can't this operator of yours utilize one that is not now activated and use it on the spot to make the smokeless powder you speak of?

Mr. REYNOLDS. You mean reactivate a plant other than Indiana?

The CHAIRMAN. Yes.

Mr. REYNOLDS. That is the point I mentioned a few minutes ago, Senator. There are certain military security things involved there that I would be glad to discuss with the committee as to our reasons. They are very sound reasons.

There is, as a matter of fact, only one other plant that we could reactivate, and we have what we think are overriding reasons for activating Indiana.

The CHAIRMAN. Is there anything else you want to present to the committee?

Mr. REYNOLDS. No, sir.

The CHAIRMAN. You are not familiar with the allocations of steel?

Mr. FANFLIK. No, sir.

The CHAIRMAN. Well, I suppose there are no other questions that you can answer for us this afternoon.

The committee will stand in recess until tomorrow at 10.

(Whereupon, at 3 p. m., a recess was taken until 10 a. m., Tuesday, September 25, 1951.)

FERTILIZER—FARM MACHINERY—PESTICIDES

TUESDAY, SEPTEMBER 25, 1951

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10:10 a. m., in room 324, Senate Office Building, Senator Allen J. Ellender (chairman) presiding.

Present: Senators Ellender, Aiken, Young, Thye, Hickenlooper, and Mundt.

The CHAIRMAN. The committee will come to order.

At this point I should like to have included in the record a report on operating costs, profits, and price trends in the farm-machinery industry which has just been completed by the committee staff.

This study, which is based on reports furnished the committee by 6 of the large farm-machinery companies and 23 of the smaller companies, shows that profits have been maintained at a high level (13 to 14 percent of net worth) by both the large and the small companies, although the large companies have expanded sales much more than the smaller companies in recent years.

Although farm-machinery prices have not increased as sharply as some other farm costs since the outbreak in Korea, they have increased more than other farm costs since the end of price control in 1946.

And to this statement I would like to add a little memorandum showing the source of the data and the report itself, which has been prepared, as I said, by the committee staff.

(The report is as follows:)

PROCEDURES FOLLOWED IN STUDY OF OPERATING COSTS, PROFITS, AND PRICE TRENDS IN THE FARM-MACHINERY INDUSTRY, 1946–50

Data used in this study are from three sources: (1) Replies to Chairman Ellender's request for information to the large companies and a small representative list of smaller companies; (2) replies from a second group of smaller companies in response to a request forwarded by Chairman Ellender to the members of the Allied Farm Machinery Manufacturers Association, an association of the smaller manufacturers of farm equipment; and (3) data on farm-machinery prices collected by the Bureau of Agricultural Economics and the Bureau of Labor Statistics.

The summary of operating costs and profits of the 6 large and 23 smaller companies include the data for all the companies which submitted complete and comparable data for the 5-year period. The six large companies include the four largest farm-machinery manufacturers in the United States. The 23 smaller companies are a very small sample of the 1,700 smaller firms which manufacture farm machinery and equipment. They include many of the well-known smaller manufacturers of farm machinery however, and, are believed to be a fairly representative sample.

From the BAE and BLS statistics on farm-machinery prices only the more common and more important items were selected for the summary and analysis which is shown in table III.

Staff Report on Operating Costs, Profits, and Price Trends in the Farm Machinery Industry, 1946–50

SUMMARY

Six large farm machinery manufacturing companies and 23 smaller companies have, on request by the committee, submitted data on their operating costs and profits for the years 1946–50.

Farmers are of course acutely aware that farm machinery prices are high today. Farm machinery prices rose more rapidly than other costs to farmers in the immediate postwar years. Since the outbreak in Korea, however, farm machinery prices have increased only one-third as much percentagewise as other farm production costs. Farm machinery prices in March 1951 were 62 percent higher than in 1946, while all farm production costs including farm machinery were 55 percent higher than 5 years earlier.

Farm machinery manufacturers meanwhile have experienced a very large volume of sales; six large companies had sales of about $2 billion in 1950, and the 23 smaller companies had sales of about $62 million. Volume of sales more than doubled in the period 1946–50 for the large companies while, with some fluctuation, they increased by about 50 percent throughout the period for the small companies. The cost of labor and materials, in terms of percent of sales, has tended to decrease, while taxes have increased sharply for the larger companies. There was little variation in the various cost items for the smaller companies throughout this 5-year period.

Both dividends paid out and surplus retained have been higher for the large than for the smaller companies with an upward trend in recent years for the large companies. Net income before taxes as a percent of net worth shows opposite trends in the two groups, dropping from 31.5 percent in 1946 and 1947 for the smaller companies to 22.5 percent in 1949 and 1950. Conversely, the larger companies showed an increase from about 11 percent in 1946–47 to 23.5 percent in 1949–50. Net income after taxes was 18 percent of net worth in 1946–47 for the smaller companies and 14 percent in 1950. Comparable figures for the larger companies were 5 and 13 percent.

OPERATING COSTS AND PROFITS—LARGER COMPANIES

Dollar sales volume as shown by table I approximately doubled, rising from $859,000,000 in 1946 to $1,916,000,000 in 1950. Both labor costs and materials showed a modest decline in percentage terms between 1946 and 1950. Miscellaneous expenses increased slightly and taxes in 1950 took over three times as large a slice out of the sales dollar as in 1946. Dividends were unchanged, but surplus retained was almost five times the 1946 level. Profits in 1950 in relation to net worth were nearly three times as high as in 1946.

OPERATING COSTS AND PROFITS—SMALLER COMPANIES

The 23 smaller companies, summarized in table II, had a stable sales volume peak of $72 million in 1948, dropping to $59 and $62 million in 1949 and 1950. Labor expenses were nearly constant, and at a distinctly lower percentage of total expenditure than was true of the larger companies. Material costs were also rather uniform from year to year, varying between 52 and 57 percent of sales. Dividends accounted for less than 3 percent of the sales dollar in any year. Surplus retained was lower in 1950 than in 1946 and net income after taxes was 14 percent of net worth in 1950, as compared with 13 percent for the six large companies.

PRICE INCREASES OF PARTICULAR FARM MACHINERY ITEMS

Prices charged farmers for individual farm machines as reported by the Bureau of Agricultural Economics and the Bureau of Labor Statistics, are summarized in table III. An examination of the data in this table indicates wide variations in the price increases of different farm machinery items since 1946. The grain drill and the side delivery rake have increased 135 percent in price whereas the ensilage cutter has increased only 41 percent and the over-all index of farm machinery price increased 62 percent. Price increases after the outbreak in Korea for the items shown increased an average of 12 percent. This increase may be compared with an increase of 15 percent in the index of all commodities used in farm production, and an increase of 5 percent in the prices of all farm machinery items included in the Bureau of Agricultural Economics Index. In part this greater increase in prices on the part of the items list may have resulted from the fact that the items shown were selected as up-to-date items likely to be most in demand.

TABLE I.—*Operating costs and profits of 6 large farm machinery manufacturing companies, as percentage of sales, 1946–50*

Year	1950	1949	1948	1947	1946
Sales (thousands)	$1,916,078	$1,936,690	$1,888,916	$1,356,026	$858,636
	Percent	*Percent*	*Percent*	*Percent*	*Percent*
Labor	25.9	26.0	27.2	29.3	32.1
Materials	38.9	44.8	47.4	44.2	41.2
Miscellaneous expenses	19.6	16.2	14.3	16.1	19.5
Taxes	7.2	5.4	4.5	4.0	2.3
Dividends	3.5	3.0	2.6	3.3	3.9
Surplus retained	4.9	4.6	4.0	3.1	1.0
Total	100.0	100.0	100.0	100.0	100.0
Net income before taxes as percent of net worth	24.0	23.0	21.0	15.0	7.0
Net income after taxes as percent of net worth	13.0	13.0	12.0	9.0	5.0

TABLE II.—*Operating costs and profits of 23 smaller farm machinery manufacturing companies, as percentage of sales, 1946–50*

Year	1950	1949	1948	1947	1946
Sales	$61,952,032	$58,693,978	$72,235,179	$55,719,849	$44,677,424
	Percent	*Percent*	*Percent*	*Percent*	*Percent*
Labor	11.0	11.3	10.6	11.2	12.2
Materials	54.7	57.1	54.5	55.1	51.8
Miscellaneous expenses	21.6	22.5	23.4	22.7	23.2
Taxes	4.6	3.6	4.6	4.6	5.8
Dividends	2.8	2.0	1.5	2.7	1.0
Surplus retained	3.3	3.5	5.4	3.7	6.0
Total	100.0	100.0	100.0	100.0	100.0
Net income before taxes as percent of net worth	24.0	21.0	36.0	34.0	29.0
Net income after taxes as percent of net worth	14.0	13.0	22.0	20.0	16.0

TABLE III.—*Price increases to farmers of selected farm machines* [1]

	1946	1950	1951	Percentage increase 1946–51	Percentage increase 1950–51
Index of prices paid by farmers for all commodities used in production (base 1910–14=100) [2]	177	239	274	55	15
Index numbers of prices paid by farmers including interest and taxes [2]	180	249	280	56	12
Tractor plow (2-bottom) [3]	$139	$230	$256	84	11
Grain drill (12 tubes) [3]	194	404	455	135	13
Corn planter (2-row) [3]	108	202	234	117	16
Tractor (20 to 29 belt horsepower, rubber tires) [3]		1,830	2,000		9
Cultivator, tractor mounted (2-row) [3]		139	153		10
Cultivator, tractor drawn (2-row, power lift) [3]	111	147	170	54	16
Manure spreader, tractor drawn (2 wheels) [3]		279	313		12
Manure spreader, horse-drawn (4 wheels) [3]	155	204	228	47	12
Ensilage cutter (14- to 16-inch throat size) [3]	312	402	440	41	9
Side delivery rake [3]	96	190	225	135	18
Milking machine, portable [3]	170	239	263	54	10
Corn picker, tractor mounted (1- or 2-row) [3]		684	774		13
Corn picker, pull-type (1-row) [3]	418	626	694	66	11
Combine-harvester, self-propelled (12-foot cut) [3]		3,526	3,872		10
Harvester-thresher, pull-type (12-foot cut) [3]	1,533	2,121	2,472	61	17
Simple average of items listed				79	12
ndex cf prices paid by farmers for farm machinery used for production (base 1910–14=100) [2]	177	273	287	62	5

[1] Data are for March unless otherwise indicated.
[2] Source: Bureau of Agricultural Economics.
[3] Bureau of Labor Statistics, composite price, f. o. b. shipping point.

I would like to state that if any comments are to be made by any of the companies in regard to this report we would like to have them before the hearings are closed—that is, before the reports of the hearings are printed. This data, as I said, was based on information that was gathered by the staff through a series of letters that were mailed to the industry by me. And if there are any errors or criticism of the report ample opportunity will be given to those interested to make that criticism.

Mr. Geissler, I see you have a nice-sized statement to make to us, and I presume that that covers a good deal of the information we would like to have. Would you like to proceed with your statement without interruption or do you mind interruption as you go along?

Mr. GEISSLER. The statement, Mr. Chairman, is a little bit longer than we like to present, but this is a pretty good-sized subject we are talking about, and so that the committee might have full information—and also that they might use it as a reference on the matter—we finally came up with this statement. I think the questioning can be held off until the end. Any of the questions that arise can ultimately be answered.

The CHAIRMAN. But you don't mind being interrupted?

Mr. GEISSLER. Not at all, and we will certainly answer the committee's questions.

The CHAIRMAN. Mr. Geissler, will you identify yourself for the record.

STATEMENT OF G. F. GEISSLER, ADMINISTRATOR, PRODUCTION AND MARKETING ADMINISTRATION; AND JOHN H. STAMBAUGH, SPECIAL ASSISTANT TO THE SECRETARY ON DEFENSE ACTIVITIES, UNITED STATES DEPARTMENT OF AGRICULTURE—Resumed

Mr. GEISSLER. My name is G. F. Geissler. I am Administrator of the Production and Marketing Administration. I have also with me, Mr. Chairman, Mr. Harold K. Hill, on my right, who is a Deputy Administrator; and Mr. John Stambaugh, who is a special assistant to the Secretary assisting us in our claimants working with the defense agencies; Mr. Bruce M. Easton behind me, who is with the Office of Materials and Facilities; Mr. Delbert L. Rucker, who is with the Office of Materials and Facilities; and Mr. Porter, with the Office of Materials and Facilities. These gentlemen can answer in more details the technical questions.

Do you want me to go ahead, sir?

The CHAIRMAN. You may proceed, sir.

Mr. GEISSLER. I certainly appreciate this opportunity to report to the Committee on Agriculture and Forestry on our stewardship of the responsibilities delegated to the Department of Agriculture under the Defense Production Act of 1950, as amended.

I understand that it is the wish of the committee that I give primary attention in my testimony this morning to farm machinery and equipment. However, any consideration of the problem of providing adequate quantities of food and fiber to meet the needs of an increasing population and the stepped-up requirements of the emergency period must necessarily include all areas in the materials and facilities field which affect the production, processing, and distribution of agricultural commodities.

In his testimony last Thursday Secretary Brannan outlined in some detail the tremendous task that faces American agriculture in the years ahead. Some conception of the scope of this task can be gained in the realization that over the next 10 years America's farmers must somehow contrive to increase their production sufficiently to feed and clothe upward of 20 million additional citizens. The problem is complicated by the possibiliy that we could become involved at any moment in an all-out war.

Successful defense of freedom against the forces of Communist imperialism will require full mobilization of all the Nation's resources. Our American way of life is being defended by people using weapons fashioned by other people working in the Nation's factories. But the effectiveness of the fighting man and the productivity of the factory worker depends upon the availability of good food and plenty of it. As a weapon for defense, food and fiber may not be as spectacular as atomic bombs and guided missiles. But, gentlemen, it is not a matter of which is more important to the defense of the Nation, food or weapons. They are equally important.

Food, fiber basically are products of the soil. But we must face the cold, hard fact that very little additional land can be brought into production in this country. This means simply that the mounting requirements for food and fiber can be supplied only by increasing the per acre output of the land that we have. Fortunately, we have learned how to do this.

You are familiar, I am sure, with the progress of the past decade. It likewise is well known that this tremendous increase in the productive capacity of America's farm plant was accomplished despite a dwindling farm labor supply.

Yes, we've witnessed what amounts to a revolution in farming methods the past 10 years, a revolution that was necessary to keep pace with the mounting food and fiber requirements. Certainly we must give favorable weather conditions a full share of the credit for increased production in this period. However, advances in farm mechanization and in the use of fertilizers and pesticides, improvement in crop varieties and cultural practices, and increased efficiency all down the line have been the dominant factors in making possible today's high level of agricultural production. Only through further advancement along these lines can we hope to meet the ever-increasing food and fiber requirements of the future.

These keys to increased agricultural production largely are in the hands of American industry.

Those functions conferred upon the President by the Defense Production Act of 1950, as amended, which relate to the production, processing, and distribution of food and fiber have been delegated to the Secretary of Agriculture. This means that the Department has the responsibilty for mobilizing American agriculture.

First is the basic task of determining food and fiber requirements. Planning in this regard must always be a year or more in advance. It must take into consideration projected domestic and export needs. But it also must provide for safe reserves as a protection against the possibility of adverse growing conditions or a sudden increase in deman that might result for instance, from all-out war.

The second step is the determination of how the requirements can be met. This involves consideration of all the factors which affect production, processing, and distribution of food. Land and water resources are, of course, the basic factors. But, as I pointed out a moment ago, production of the proper kinds of food and fiber in the required amounts will depend upon how well those basic resources are utilized. To do this we must translate requirements into production goals at the national, State and county levels, and finally for each individual farming unit. Our State and county PMA and Agricultural Mobilization Committees are the key groups in this operation and encourage and assist farmers throughout the production year to achieve their goals.

We must also determine how much and what kinds of farm machinery and equipment, fertilizers, pesticides, and other farm production supplies will be needed. We must consider the available food processing and distribution facilities and determine what measures are necessary to make sure that they will be capable of handling the projected output. We must determine the quantity and kinds of containers that will be needed to package the crops at all levels of distribution from farm to dinner table.

Of the utmost importance in determining requirements for all these materials and facilities—and especially so in the case of those which are used on the farm—is the availability of labor. The present farm labor force is 1½ million less than 5 years ago. Over one-half million of this decrease has occurred during the past 12 months. The exodus from farm to factory and armed forces is still progressing.

The CHAIRMAN. Will you tell us at this point what the present farm labor force is in the country?

Mr. GEISSLER. I can't give you the exact figures, but I can get them.

The CHAIRMAN. All right, Will you do that, please.

(The information referred to above is as follows:)

MEMORANDUM ON FARM EMPLOYMENT

Estimate dfarm employment in August 1951, was 11,719,000 persons. That total represents the number of persons who work on farms including both family labor and hired labor. Total farm employment varies considerably throughout the year in accordance with harvesting seasons.

Mr. GEISSLER. This loss of farm labor must therefore be offset by an extension of the skills and productive capacity of the remaining workers. This means more machinery, more fertilizer, more pesticides, and more of practically all of the products of industry that are used on the farm.

Having made these determinations, we must then take all measures within our power to see that the necessary materials and facilities will be available when they are needed. It is principally in this connection that the Department exercises its claimancy function before governmental agencies—in most cases the Defense Production Administration.

Today we are concerned mostly with the second of these steps, how can our food and fiber requirements be met. In our deliberations we must not lose sight of the fact that the ultimate objective is food and fiber. When we talk about farm machinery we're really talking about food. When we consider how much sulfur can be made available for fertilizers and pesticides we're actually discussing the potential level of food production. Food and fiber are the necessary end products. All these materials and facilities are the means to that end.

The Defense Production Administration has been delegated the responsibility for allocating the various production materials, including steel, copper, and aluminum, among the claimant agency programs. The National Production Authority is responsible for production according to program determinations issued by DPA of most of the important materials and facilities required by agriculture. In other words, the DPA determines how much steel, copper, and aluminum can be used for the production of, say, farm machinery. It is then up to the NPA to allocate those materials among the various members of the industry in such a manner as to contribute most to the defense effort.

The Department of Agriculture presents its claim to the appropriate NPA industry division. The NPA industry division combines agriculture's stated requirements with those of other claimants for the same end product, to translate the total requirement into materials, and submits its claim for these materials to the DPA Requirements Committee.

There is an exception to this procedure in the case of materials needed for the construction of food and fiber production, processing, storage, and distribution facilities for which the Department submits a direct claim for materials to the DPA. I will discuss this matter in more detail later in my testimony.

90402—51——11

The Department supports the claims of the various NPA industry divisions in which it has an interest before the DPA Requirements Committee. I represent the Department as a member of that committee. The Department also has representation upon all other committees of the DPA and NPA which deal with requirements for materials and facilities of importance to agriculture.

As soon as the Defense Production Act was passed last September—and its functions in connection with food and fiber were delegated to this Department—we immediately set about determining requirements for food and fiber that would need to be produced in 1951 along the lines I described a moment ago.

The first formal submission of requirements, covering farm machinery, repairs parts for farm machinery, fertilizers, and pesticides, was made on October 30, 1950. Requirements for other necessary materials and facilities were presented as quickly as progress in organization of the defense agencies permitted.

It is my purpose today to review the extent to which these requirements for 1951 have been met, to discuss some of the problem areas, and to acquaint the committee with our current appraisal of 1952 requirements and the prospects for meeting them.

FARM MACHINERY AND EQUIPMENT

In the case of farm machinery and equipment, we concluded last fall that in order to achieve 1951 food and fibre production goals and maintain the mechanical efficiency of our farm plant in preparation for the greater demands of the future, farmers would need to receive at least as much new farm machinery and equipment as they purchased in 1949. Realizing that the requirement for repair parts would increase in proportion to the amount of farm equipment on farms and that the more intensive use of existing equipment in all-out production would result in greater than normal wear and breakage, we figured that a minimum of 105 percent of the quantity of repair parts which were purchased in 1949 should be made available in 1951. It now appears that in the over-all this requirement has been met.

There have been a few problem areas. Crawler tractors and crawler tractor parts are the most significant.

Production of all farm machinery and equipment was at a high level during the latter part of 1950 and the first half of 1951. However, difficulty in obtaining steel and other materials was beginning to trim production, quite substantially, in the case of some producers, by April or May. At the urging of this Department and the industry, NPA authorized the industry to self-certify DO priority ratings on orders for their June requirements of production materials and component parts. This was of some help in bolstering lagging production.

Authority for the industry to use DO ratings also was extended to the months of July, August, and September. This authorization was, of course, superseded by the Controlled Materials Plan. But it was of benefit to the industry because the DO rating permitted manufacturers to place orders for early third-quarter delivery, many of which could not have been placed in accordance with lead-time requirements had they been forced to await receipt of their controlled materials allotments.

It appears that allotments of the controlled materials to the industry for the third quarter were probably sufficient to permit an over-all production about equivalent to the 1949 rate. However, reports from the industry indicate that many producers have not been able to place orders for their full allotments. This of course will have some effect upon the eventual production during this quarter.

Nevertheless, the supply of new farm machinery and repair parts has been generally satisfactory for the 1951 crop year. Unfortunately the outlook for 1952 is not so optimistic at this time. Before discussing 1952 prospects it might be well to consider 1952 requirements.

Senator THYE. Would you mind an interruption at this point, Mr. Chairman?

The CHAIRMAN. No, sir.

Senator THYE. The reason I thought it timely to interrupt is that I received a telephone call this morning from Mr. John Molstad of the John Deere Co. of Minneapolis. The John Deere people are one of the old-line machine companies and they supply the Northwest. This is the distributing plant for the John Deere people in both North Dakota and South Dakota and Montana, as well as Wisconsin. Mr. Molstad stated that they do not have a combine in that entire Northwest area as of this date. He said they had a few small combines in southern Minnesota, but with the exception of those they did not have a pull-type self-propelled combine in all of North Dakota or South Dakota or Montana. He said, "That is our situation now, and we could be selling combines for combining soybeans." He said they were short of machines to supply the needs of the Northwest, especially of the self-propelled combines of the 12-foot pull-type, in the past few weeks of the harvest, and "if the situation doesn't improve by next year I don't know how we are going to meet the needs of the producer in the States that have the responsibility of distribution of the John Deere machinery."

I think Senator Young would bear me out on that very statement. And you yourself, Mr. Geissler, are from North Dakota, and you know definitely of what we speak here.

Senator YOUNG. I think, Senator Thye, that the John Deere people alone are from eight or nine hundred orders behind on combines. That is also true of many other types of equipment which is needed.

Mr. Chairman, in that connection I would like to insert in the record a telegram I received from Mr. Carlson, president of Deere and Webber Co.

Senator THYE. That is the same agency. Mr. Carlson is president of the Deere and Webber Co. in Minneapolis, and Mr. John Molstad is one of the officers of that organization. I would say you couldn't find more substantial men in the whole Northwest than these two men.

Senator YOUNG. I didn't bring that telegram with me, Mr. Chairman, but I will put it in the record.

The CHAIRMAN. Put it in the record.

(The telegram is as follows:)

MINNEAPOLIS, MINN., *September 25, 1951.*

Hon. MILTON R. YOUNG,
The United States Senate:

An inventory of farm equipment in dealers' hands and a survey of their needs in our territory comprising all of Minnesota, North Dakota, Montana, the upper two-thirds of South Dakota, western Wisconsin, and part of Michigan indicated every large combine No. 55 and NP. 65 delivered to farmers. We turned down

at least 97 small 6-foot machines, which is approximately 1 machine to every 3 dealers. Many of these will be sold for Diesel tractors of which 137 were sold and in process of delivery, and dealers insist they need 1,575 by spring to take care of customer requirements. We sold 8,669 grain drills last spring and dealers have 1,993 now, provided since spring seeding date for next spring's business, and they have a total requirement of 9,241. The same sort of situation applies to balers, side-delivery rakes, power mowers, field ensilage harvesters, disk harrows, field cultivators, corn planters, and many other tools. Demand is for large-capacity equipment.

C. R. CARLSON, Jr.

Senator YOUNG. And also I would like to have at this point inserted in the record a number of telegrams from members of the North Dakota State Legislature and other citizens substantiating the need for an adequate steel allocation to farm-machinery production.

The CHAIRMAN. That is for the future?

Senator YOUNG. Yes, Mr. Chairman.

(The telegrams are as follows:)

HEBRON, N. DAK., *September 21, 1951.*

MILTON R. YOUNG,
United States Senate, Washington, D. C.:

Army travels on its stomach, food is the first essential. Remember desperate plight of farmers in 1943 for machinery. Agriculture should have same priority as Army for steel. Allow no cut-backs.

C. M. HELFERICH,
Representative, Thirtieth District, North Dakota.

TOWNER, N. DAK., *September 23, 1951.*

Hon. Senator MILTON YOUNG,
United States Senate, Washington, D. C.:

Myself and farmers in this area as well as need of entire Nation for steel to process agricultural implements and parts warrants your capable and sincere effort to secure a just share for the implement manufacturing industry. Situation critical and alarming with present availability. As a Nation we cannot overlook the need and importance of a mechanized agriculture to efficiently produce needed products.

P. M. SCHULTZ, *Towner Supply Co.*

NEW SALEM, N. DAK., *September 22, 1951.*

Senator MILTON R. YOUNG,
Senate Chamber:

Farmers are desperately in need of farm machinery. A cut-back in steel allocation would be serious.

WILBUR H. KLUSMANN,
State Senator.

KULM, N. DAK., *September 21, 1951.*

Senator MILTON YOUNG,
Senate Chamber, Washington, D. C.:

As a friend, Milt, I would like to say that we have been in the farm-equipment business for 20 years and for the past 10 years farm machinery has been in short supply. It is my understanding that we are to get a further reduction in farm machinery. Please contact Mr. Wilson and have him increase the allotment of steel to the farm implements industry.

Sincerely yours,

BROST BROS.,
W. E. BROST.

LITCHVILLE, N. DAK., *Septemebr 22, 1951.*

Senator MILTON R. YOUNG,
Senate Office Building, Washington, D. C.:

Proposal to cut material for production of farm implements would hamstring farmers' efforts to hold up production labor. Shortage necessitates use of more machinery rather than less. Urge your support in fighting this cut.

T. I. STRINDEN.

NEW SALEM, N. DAK, *September 22, 1951.*

Senator MILTON R. YOUNG,
Senate Office Building, Washington, D. C.:

We ask that Senate bill on cut-back on steel and farm machinery does not go through. Our experience in 1943 is something we do not want again. Farmers still didn't get all machinery that was needed in 1951. It will just be an open field for black market.

Senator WILBUR KLUSMAN.

BEACH, N. DAK., *September 22, 1951.*

Senator MILTON YOUNG,
United States Senate, Washington, D. C.:

It is necessary for our present amount of machinery to keep up production. Do all you can to prevent further cut in steel. Should take from other business that is overloaded.

DAKOTA FARM EQUIPMENT CO.,
JACK BALLARD.

MOHALL, N. DAK., *September 24, 1951.*

Hon. MILTON R. YOUNG,
United States Senate, Washington, D. C.:

Press indicates possible cut of 50 percent in steel allocation for farm machinery. Feel cut too drastic; will seriously affect farm production. Approximately 25 percent of present steel allocation goes for repair parts which must be retained on this basis. Fifty percent cut would mean only one-third as much of new machinery as last year. Feel your committee unduly influenced by recent article in Wall Street Journal.

A. F. PAGE.

LISBON, N. DAK., *September 27, 1951.*

Senator MILTON R. YOUNG,
Senate Office Building, Washington, D. C.:

Our farmer customers are discouraged when reading and hearing reports that certain items like 12-foot pull-type combines will be very short in 1952 on account of Government restrictions of materials to the implement manufacturers. We hear certain items are to be curtailed completely. Anything to ease this situation will be appreciated by all of us.

Sincerely,

GILBERT IMPLEMENT CO., INC.
By GEORGE GILBERT, *President.*

JAMESTOWN, N. DAK., *September 26, 1951.*

Senator MILTON R. YOUNG,
Washington, D. C.:

Our 52-farm-equipment allomtent has been received and is definitely inadequate on many machines. We are now advised by International Harvester that there will be a more drastic cut and they will not be in a position to promise us anything on the production of many machines that are essential to our farm production. We urge you to fight for increased allotments of steel for farm-equipment manufacturing.

MELLAND, INC.,
RUSS MELLAND.

DICKINSON, N. DAK., *September 25, 1591.*

Senator MILTON R. YOUNG,
Senate Building, Washington, D. C.:

We urge you to use all your influence to prevent cut in material allocation for farm equipment. Reduction in farm equipment production will result in serious loss of production of grain and meat in this area.

D. W. MCKENZIE & SON.

NEW ROCKFORD, N. DAK., *September 26, 1951.*

Hon. MILTON YOUNG,
United States Senator from North Dakota,
Washington, D. C.:

Information from the press and from my supplier, the International Harvester Co., indicates more cut-back on farm equipment for 1952 due to Government restrictions on steel and other material used in farm machines. Allocations on combines and tractors cut far below 1951 quota, which was subnormal. It is impossible to serve the farmers in this area without adequate machines. Anything you can do to assist in getting material to my supplier will be greatly appreciated and will help produce the food which is, after all, the foundation of a good America.

Thanks and best wishes.

ALBERT HAAS.

Mr. HICKENLOOPER. Mr. Chairman, I have quite a number of telegrams also stressing the need for adequate allocation of material for farm machinery and for farm machinery in my own State. I think most of the John Deere people have wired—whether that company is in greater need than the others or not, I don't know, but I don't question the fact that if they don't protest, don't stand up for their rights, that they will find themselves without material for the manufacture of farm machinery. I will say that the preponderance of telegrams so far have been from John Deere dealers, which indicates that that company is very much concerned about this.

Senator MUNDT. Mr. Chairman, following those I would like to insert a number of telegrams received from South Dakota which I think will demonstrate that it isn't only the John Deere Co. but also other companies who are facing reduced inventories.

Senator THYE. The Minneapolis Moline have their manufacturing plant right at Minneapolis. I have the same report from them. The only reason I spoke of the John Deere Co. was that I had a telephone call from Mr. Molstad this morning and he told me their situation. I have known him for 30 years.

Senator MUNDT. I just didn't want the record to indicate that there might be a shortage on the part of one company only. I think it is a general shortage because of the fact that enough steel has not been allocated for farm machinery. If they get more steel I think all of them will fill up the pipeline.

The CHAIRMAN. I assume they speak of the future. I didn't get a chance to read them.

Senator MUNDT. Some of them speak of the sorry past and some of the future.

(The telegrams are as follows:)

EUREKA, S. DAK., *September 22, 1951.*

Hon. KARL MUNDT,
Washington, D. C.

KARL: We urgently solicit your support in securing more steel for farm implements. It is our bread and butter.

H. O. KRETSCHMAR.
F. C. SHANKLAND.
EMANUEL HEILMAN.
HAROLD OPP.

BROOKINGS, S. DAK., *September 22, 1951.*

Senator KARL MUNDT,
United States Senate:

We have not been able to get enough farm implements since 1941. The industry cannot stand much of a cut in steel allocation.

EUGENE BECKMAN & SON.

WATERTOWN, S. DAK., *September 21, 1951.*

Hon. KARL MUNDT,
United States Senate, Washington, D. C.:

Having been an implement dealer in South Dakota for many years we feel that a curtailment in steel to implement manufacturers will be a severe detriment to food production. Published reports indicate there is an overabundance of inventory in hands of farm equipment dealers. There definitely is a serious shortage of farm equipment in this area. Full line manufacturers should be given considerable consideration in this respect. Farmers need this equipment because of service to be rendered in years to come. Labor situation on all farms require time- and labor-saving equipment.

Sincerely yours,

CODINGTON COUNTY IMPLEMENT CO.,
O. J. MOGARD, *Vice President and Manager.*

REDFIELD, S. DAK., *September 21, 1951.*

Senator KARL MUNDT,
Senate Building, Washington, D. C.:

Have been an implement dealer since 1937. Past 10 years agricultural implements have been short in this area. Kindly use influence against cutting steel for manufacture of farm implements.

FRED BOEKELHEIDE.

ABERDEEN, S. DAK., *September 21, 1951.*

Senator KARL MUNDT,
Senate Office Building, Washington, D. C.:

I strongly urge that the allocation of material for farm machinery be as large as possible consistent with the needs for defense. Contrary to some propaganda, dealers' stocks of machinery are very low right now and farm demand very high.

With the scarcity and low quality of farm labor in this territory, the farmer must have improved and labor-saving machines to get the job done. Every large five-plow Diesel sold releases one able-bodied man for the war effort.

Every self-propelled combine, every field ensilage harvester, milling machine, and so forth, does the same. The farmer does twice as much productive labor as any other class and is certainly entitled to the best in labor-saving machines. Thanking you in advance for what you can do and assuring you of my continued regard, I am

NELSON S. FIELD.

ABERDEEN, S. DAK., *September 22, 1951.*

Hon. KARL MUNDT,
Senate Building, Washington, D. C.:

Dealers' stock of machinery very much reduced owing to heavy demand to harvest big 1951 crop. Labor shortage demands farmers have best available equipment to carry out agricultural program. We urge leniency in restricting material for manufacture of farm implements.

FIRST NATIONAL BANK OF ABERDEEN.

WATERTOWN, S. DAK., *September 22, 1951.*

Hon. KARL MUNDT,
Senate Office Building., Washington, D. C.:

We are informed that at your meeting of the Agriculture Committee next Wednesday there is a chance that steel allocation for farm implement manufacturers may be reduced because of reports of large inventories of farm machinery in hands of dealers.

We are sure there is no excess of implements in dealers' hands in South Dakota. It is important that farm implements and repairs be furnished to farmers so they can produce the crops needed by war and peace.

The shortage of farm labor makes it absolutely necessary that farmers have modern machines and sufficient repairs for these machines.

A. KOPPERUD,
President, Farmers and Merchants Bank.

THE FIRST CITIZENS NATIONAL BANK,
Watertown, S. Dak., September 21, 1951.

Hon. KARL MUNDT,
United States Senate, Washington, D. C.

MY DEAR KARL: I have received two telephone calls today from implement dealers in this city regarding a hearing which is coming up next Wednesday before the Agriculture Committee regarding allocation of steel.

I understand the Wall Street Journal recently carried the report that the farm-implement dealers were overstocked with machinery and the allocation of steel to the farm-implement manufacturers should be curtailed. I think this statement is grossly exaggerated and we know that many items needed by the farmers in this area have been hard to get for some time back. I know the implement dealers in this area have had to contact implement dealers for many miles away to pick up needed farm implements during the various planting and harvesting seasons. I think a very thorough survey should be made on this and, after all, if food is one of the essentials of warfare, the farmers should be able to secure the needed implements to plant and harvest their crops. The minute you start the retarding of manufacture of farm implements you are playing right into the hands of the black market and the farmers are forced to pay excess prices and oftentimes forced to buy second-hand machinery that is worn out, which as you know greatly retards production.

I think this matter is well worth further study and it perhaps would be much better to retard allotments for luxury items rather than for farm machinery which is badly needed in farm production.

Whatever you can do to get the facts on this matter will be appreciated.

Sincerely yours,

C. H. LOCKHART, *President.*

The CHAIRMAN. Mr. Geissler has said they had a fair year in the past but the outlook for 1952 is not so good.

Is there anything you wish to do to relieve that, Mr. Geissler?

Mr. GEISSLER. The whole steel situation is the primary factor. But I think some of the factors brought out in the rest of the statement will help on that point.

If I may digress from the statement just a moment, the situation that Senator Thye raised brings up one of the things that are generally misunderstood. Many people do not understand the seasonableness of the agricultural operation and the situation it faces. In June,

or sometime prior to harvesting time you will find a good many combines on the dealer's lot, and people will say that is excessive machinery and a prime example of surplus farm machinery.

Senator THYE. This summer one of the top officials in the steel allocation program—I will not name him—referred to "a hue and cry for more steel for harvesting machinery." He said:

> We allocated steel—in fact, they had steel running out of their ears. And they had combines all over the lot and more than they knew what to do with.

Now I think that was misinformation, and an example of what you say. In May, June, and July they saw the combines coming into the Northwest, and the lots were full. But they did not realize that the harvest starts in July in some areas and finishes up there in North Dakota maybe in September.

Senator YOUNG. We haven't finished yet.

Senator THYE. And they just don't realize that these combines must be moved and must go out to the dealer's lot and remain there for maybe 6 months before they go into the harvest fields.

Mr. GEISSLER. I think that same situation develops with almost every piece of machinery. About a month ago I went out to the Corn Belt, and out there you see corn pickers on almost every dealer's lot. A month from now you find them in use.

The CHAIRMAN. The chairman is informed that the chairman of the board of Deere & Co. is present, Mr. Charles Wiman, and I presume he will be able to speak for the company in due time.

Is Mr. Wiman here?

Will you stand up, sir?

I presume you will be here tomorrow too, Mr. Wiman?

Mr. WIMAN. Yes, sir.

The CHAIRMAN. We will ask you to testify. We might be able to hear you today.

Mr. WIMAN. Yes, sir. As a matter of fact, Senator, if you will permit for the record, we have some very complete up-to-date information that I am very anxious to give the committee on the subject of dealer inventory. I think the Senators will be quite interested in this information, which has been gathered within the last 2 weeks.

The CHAIRMAN. Yes, sir. We have two witnesses today, and although you are not on the program, if we have the time we might hear you today, sir.

Senator AIKEN. Mr. Chairman, I would like to point out that allocation of materials to farm machinery doesn't involve a net reduction in the supply of iron and other matals which go into the manufacture of these machines. We saw that Mr. Wilson appealed for the collection of scrap the other day. Now a good share of the scrap that is collected comes off the farm. And certainly farmers are not going to turn in their old machines for scrap unless they can get new ones. So I am almost willing to say that for every 2 pounds allocated for new machines that 1 pound will probably be returned in the form of scrap metal.

Mr. GEISSLER. I would like to point out for the information of the committee that the agricultural State and county mobilization committees have been instructed and directed to assist in this scrap drive to try to get all the scrap that is not usable any more. And we expect to get a report after the drive is over of how much scrap is brought in from the farms.

Senator AIKEN. There isn't going to be much brought in unless they can get new equipment.

Senator YOUNG. Mr. Chairman, I just returned from North Dakota last night, and I find that much of the crop still remains unharvested. Part of that is due to a lack of farm machinery—combines—and then, of course, a rainy season. Damage to grain as a result runs as high as 50 percent. You can realize from that what a loss there is in the food supplies for the Nation. And on my own farm there was some grain more than a month after it was windrowed still not combined.

The CHAIRMAN. That was due to a lack of machinery?

Senator YOUNG. Due in a large part to the lack of combines.

The CHAIRMAN. All right, Mr. Geissler.

Mr. GEISSLER. Experience during World War II proved that statistical methods, based largely upon historical production data, could not be relied upon to determine realistic farm machinery requirements. I think I need only remind the committee that this sort of academic approach, thoroughly documented with all kinds of theoretical arguments, was what led the War Production Board to conclude that in 1943 farmers could get by on 23 percent as much new farm machinery as they received in 1940 and still meet food and fiber production goals. The Department objected strenuously at that time, but was overruled. In this connection we still believe there is no substitute for the judgment of the people actually concerned with the production of food and fiber, including farmers and the people who make and distribute farm machinery and equipment.

We had to use statistical methods when we were developing 1951 requirements last fall because of the short time available to us. It was quickly realized that the only method which could be depended upon to reflect the pertinent factors in their proper perspective would be a comprehensive survey so conducted as to register the composite judgment of farmers and the other people I mentioned.

Such a survey was conducted during last March and April. We asked our PMA committees in all 3,033 of the Nation's agricultural counties to consult their community, or township, committees, local implement dealers, the county extension agent, and other local agricultural leaders, and to tell us how much new machinery and repair parts was needed in the county during the year in comparison to what they had received in 1949 to meet the all-out food-and-fiber production being asked of them. County figures were reviewed and consolidated by each of the State PMA committees with the advice and assistance of the State agricultural mobilization committee.

State summaries were reviewed, consolidated, and analyzed by specialists in our Office of Materials and Facilities in consultation with economists and other experts from the Bureau of Agricultural Economics and other agencies. Before release the national summaries were submitted for review and approval to a special committee consisting of representatives of Department agencies with an interest in production, distribution and use of farm machinery and equipment.

The results of this survey formed the basis for determining 1952 requirements for farm machinery and equipment. A statement of these requirements was submitted to the Defense Administration on August 23. This statement has been translated by the NPA Agricultural Machinery and Implements Division into materials require-

ments which have been submitted to DPA for the first and subsequent quarters of 1952.

In its statement the Department pointed out that during 1952 farmers will require an aggregate quantity of new farm machinery and equipment of at least 115 percent of the quantity which was shipped to them in 1949. They will require a minimum of 120 percent of the repair parts they received in 1949.

However, this 15 percent increase over 1949 shipments—which is based upon total volume—does not mean an equivalent increase in the number of units. This is because of the greater proportionate increase in requirements for the heavier, more complicated, labor-saving equipment and substantially smaller requirements for horse-drawn equipment, for light tractors, light tractor-operated equipment, and many other items.

At this point, if it so pleases the committee, I would like to offer for insertion in the record a summary of domestic requirements for various types of farm equipment for 1952 as compared with 1949 shipments. This summary is based upon the survey which we conducted.

The CHAIRMAN. Without objection those will be placed in the record at this point.

(The summary is as follows:)

Domestic requirements for various types of farm equipment for the 1952 crop-year expressed as a percentage of 1949 shipments

Tractors, wheel:	
Light	86
Medium	110
Heavy	123
Tractors, crawler:	
Light	105
Heavy	115
Tractors, garden type	81
Plows:	
Tractor moldboard	108
Tractor disc	109
Horse-drawn	61
One-way disc	103
Ditching plows	68
Listers:	
Drawn	102
Mounted	115
Terracers	92
Harrows:	
Disc	119
Spike tooth	104
Spring tooth	108
Stalk cutters	101
Land levelers and scrapers	101
Land rollers:	
Smooth	63
Pulvarizing	101
Grain drills	117
Corn and cotton planters	117
Potato planters	75
Beet and bean drills	102
Transplanters	112
Fertilizer distributors	111
Manure spreaders	122
Cultivators:	
Horse-drawn	75
Tractor	120
Rotary hoes	105
Field cultivators	97
Sprayers:	
Orchard	104
Field crop	133
Dusters:	
Orchard	86
Field crop	131
Grain combines:	
6-foot and under	111
over 6 feet	106
self-propelled	112
Grain binders	78
Potato diggers	72
Beet lifters	80
Beet harvesters	129
Corn pickers	119
Field and forage harvesters	129
Coton pickers	260
Cotton strippers	1049
Mowers:	
Tractor-mounted	118
Drawn	80
Lime spreaders	92
Balers:	
Stationary	58
Pick-up wire	126
Pick-up twine	125
Farm elevators:	
Portable	114
Stationary	108
Grain blowers	90
Forage blowers	114
Threshers:	
Peanut	94
Grain	61
Corn shellers	99

Domestic requirements for various types equipment for the 1952 crop-year expressed as a percentage of 1949 shipments—Continued

Hammer mills	96
Burr Mills	80
Seed cleaners	91
Dryers:	
Portable	99
Stationary	104
Farm dairy machinery:	
Cream separators	91
Milking machines	105
Milk coolers	108
Farm poultry equipment:	
Incubators	83
Brooders	103
Feeders	105
Waterers	105
Growing and laying batteries	96
Egg grading and cleaning equipment	103
Rakes:	
Side delivery	136
Sulky	75
Barn equipment:	
Stalls with stanchions	101
Stalls without stanchions	94
Barn equipment—Continued	
Barn cleaners	112
Stanchions	99
Water bowls	101
Feed and litter carriers	97
Barnyard equipment:	
Feeders	103
Stock Tanks	103
Hog waterers	105
Farm wagons and trucks:	
Chassis	100
Trailer gears	98
Boxes, beds, and racks	104
Domestic water supply:	
Pumps	108
Windmills	77
Complete water systems	129
Farm irrigation equipment:	
Pipe	173
Pumps	158
Motor-engines	143
Motor-engines	143
Sprinkle spstems	136
All repair parts	120

United States weighted average percent, 114.69.

Mr. GEISSLER. If you will review that survey you will find that the increase of 15 percent is not uniform in all types of machines. It runs much higher on some of the labor-saving types of machines and smaller on some of the horse-drawn and obsolete types.

Senator THYE. The scarcity of labor in some areas forces the farmer to increase his machinery, because you cannot go out and pay a man $175 a month and board him and then let him plough with a team of horses. It is just out of the question. You can't get anything done and you can't get men enough. Therefore, you have got to get the machines on the farm; otherwise you are not going to have food.

Mr. GEISSLER. That's right.

Senator THYE. Unless you have good modern machinery you can't get the men to run the farm. Without combines you can't do it, and you can do more with the big combines. I personally changed from a 6-foot combine to a 12-foot, for no reason than with that I could do in 3 days what I had been able to do in 6 before. With the 6-foot on the big acreage we operated I couldn't possibly get the crop harvested in time. One rain is enough to ruin the crop.

Senator YOUNG. In fact, there have been very few fall seasons when there was sufficient good weather to get the grain in completely without considerable loss. Farmers just have to have this equipment so they can finish a harvest in the shortest possible period to avoid heavy losses. That wasn't as true when we had the old threshing machines. We could then leave the grain standing in shocks for 6 or 8 weeks without much damage.

Mr. GEISSLER. And they retained those 30 men too.

Senator YOUNG. You weren't paying the high wages that are paid today.

Mr. GEISSLER. It is the firm belief of this Department that the statement of requirements which was submitted to DPA on August 23 represents the true needs of farmers for new farm machinery and repair parts during 1952.

As we contemplate these requirements for 1952, however, there is not too much in the present situation to generate optimism. It is significant that the requirement could be met if the farm-equipment industry were able to continue producing at a level equal to or perhaps somewhat less than that achieved during the first half of this year. You will recall, however, that I pointed out that production in the third quarter is not likely to exceed the 1949 level. Allotments of the controlled materials for the fourth quarter of this year will force a cut in production to between 80 and 85 percent of the third-quarter rate, or only around three-fourths of the quarterly production rate needed to meet agriculture's requirements for the 1952 crop year.

Obviously our farmers can't continue to absorb such cuts in the supply of new farm machinery and equipment and still produce the food and fiber that is needed.

There is no question but that sooner or later the lost production must be made up. This is another lesson we learned from World War II. If they can't produce farm machinery and equipment, the industry will have to turn to other production or go out of business. I'm afraid that the latter is just what will happen to some of the smaller companies which lack the facilities, the capital, and the flexibility to adapt themselves to the situation. But once this adjustment takes place it will be just as difficult for the industry to return to full-capacity production of farm equipment. During World War II it took nearly 2 years for the industry to retain prewar production levels after having been practically shut down in 1943.

Because of the time it takes to procure materials, and then to fabricate and distribute an item of farm machinery, it seems likely that effects of the curtailed allotments of materials for the fourth quarter—particularly if the cuts are continued into 1952—will first be felt seriously by farmers around harvest time next year. It would, indeed, be a tragedy if—having produced a bumper crop—any part should be lost for lack of adequate harvesting equipment.

We have heard and seen numerous statements in the past few weeks to the effect that farm-equipment inventories are excessive—or, to paraphrase one statement, that farmers and dealers literally have farm machinery "running out their ears." The obvious intent of these statements is to give the impression that farm equipment production is excessive and that a substantial reduction can be made in the amount of materials allotted for the purpose without jeopardizing food-and-fiber production.

The fact is that to people who do not understand farming and the distribution of farm equipment, inventories that they see in the hands of machinery dealers can be most deceiving. A few weeks before the corn harvest, for instance, any traveler through the Corn Belt is likely to see new corn pickers filling the lots and sales floors of dealers. The time to check on whether or not inventories of corn pickers are excessive is after the corn harvest, not before.

Now, let us shift our attention to some of the other materials and facilities required in the production, processing, and distribution of food and fiber.

FERTILIZERS

As Secretary Brannan indicated in his testimony last Thursday, the fertilizer situation is one of our greatest concerns, and there are many problems still to be worked out before we can report that 1952 and future requirements are likely to be met. However, the Secretary and other witnesses who have appeared before your committee have covered this situation in great detail. I have nothing to add at this time.

PESTICIDES

Partially due to efforts by this Department and the NPA, but largely due to the splendid cooperation of the industry, production of the major preferred pesticides was approximately 50 percent greater in 1951 than in 1950. As a matter of fact, the pesticides supply in general has been largely satisfactory during the 1951 crop year. This can be attributed in part to the excellent response of farmers to urgings by the Department to place orders early so that producers could accurately gage the need in advance and plan their production accordingly.

I understand there is going to be discussion specifically on pesticides, Mr. Chairman.

In 1952 it now appears that it will be difficult to obtain adequate supplies of lead arsenate, copper compounds, liquid grain fumigants, and sulfur dusts. Likewise a shortage of drums and other containers may cause some real difficulties in distribution. We are working with NPA to seek a solution to these problems. At the same time we are exploring the possibility of using alternate materials to make up for the anticipated shortages.

BALER TWINE

Among the other farm production supplies baler twine has been one of our knottiest problems. Despite the fact that the supply was 50 percent greater than the amount used in 1950, the demand for twine was not met at the time it was needed. This large demand was due principally to the substantial increase in the number of twine-tie balers on farms and the fact that the 1951 hay crop was the largest on record.

The Department is working with the industry to try to avert a similar shortage in 1952. Although I can't report that we're entirely out of the woods, prospects at this time are favorable.

WIRE BALE TIES, FENCING, NAILS, AND STAPLES

While demand for wire bale ties has been subject to the same influences as for baler twine, substantially increased production both of ties and of coiled wire for automatic balers has largely been adequate to meet farmers' requirements.

Early and positive action was necessary to assure an adequate supply of cotton bale ties. I am glad to report that this action has paid off and that the supply to bale this year's cotton crop is practically assured.

Barbed wire and woven wire fencing are in extremely short supply in practically all sections of the country. This results directly from

the fact that production is several thousand tons lower so far this year than in the same period of 1950 while demand apparently is on the increase.

Production of wire nails and staples is running at a higher rate than in 1950, and very few shortages have been reported.

METAL ROOFING AND SIDING

Metal roofing and siding is another item reported in short supply by farmers in nearly all States. However, it should be considered that the supply of galvanized roofing and siding has not met the demand since the beginning of World War II. Production of aluminum roofing and siding in the first 9 months of 1951 is only about 60 percent of 1950 production.

STANDARD PIPE

Although production of standard pipe through July has been slightly greater than in the same period of 1950, the demand greatly exceeds the supply and reports from nearly all States indicate that farmers are finding it more and more difficult to purchase their requirements, especially in the case af galvanized pipe.

In the case of all these miscellaneous farm supplies, including the many which I have not mentioned, increased attention must be given by the allocating agencies if agriculture's requirements are to be met in 1952. One very important fact which is sometimes overlooked is that many of these items are expendable. That is, they are used up and must be replaced each crop year.

MOTORTRUCKS

At the present time there is no shortage of either trucks or trailers of the sizes that are used in the production, processing, and distribution of food and fiber. However, we are concerned about the future. So far allocations of controlled materials for the production of light trucks have been made on the same basis as for passenger cars.

TRUCK, TRACTOR, AND IMPLEMENT TIRES

Our State PMA committees continue to report shortages of tractor tires, and indicate that farmers are having difficulty in some areas in obtaining truck tires. The truck-tire situation should be eased considerably by the recent substantial increases in the inventory of truck tires in the hands of manufacturers. However, inventories of tractor and implement tires in the hands of manufacturers still are less than one-half of what they were at this time last year. There is a very real need to increase stocks of tractor and implement tires to levels even higher than last year because of anticipated larger replacement requirements in 1952.

PETROLEUM FUELS

No shortage of petroleum fuels has existed during the past spring and summer, nor does any shortage appear imminent unless military requirements should be stepped up considerably.

AGRICULTURAL CONSTRUCTION

The Department has been delegated the responsibility beginning with the fourth quarter of this year, for passing on the need for proposed construction of facilities to be used in connection with the production, processing, and wholesale distribution of food and fiber. The Department also allocates controlled materials for the construction of those projects which are approved.

Although it still is too early to determine how much material will be needed to meet fourth-quarter requirements of on-form construction projects which are seemed essential, it appears at this time that allotments assigned to us for this purpose by the Defense Production Administration will be adequate.

Likewise it appears that allotments will be adequate to care for the fourth-quarter needs of all essential construction projects in the fields of food and fiber processing and wholesale distribution for which applications have been and are likely to be received.

FOOD AND FIBER PROCESSING

For the most part food- and fiber-processing facilities have been adequate this year to handle 1951 crops without appreciable loss or deterioration. One trouble spot, however, has been the problem of providing adequate ginning facilities to handle this year's large cotton crop. Although the Department arranged with the NPA for priorities assistance, this action still did not provide all the necessary materials when they were needed. As a result the gin expansion program is falling short of its goal, and many gins—particularly in the new production areas—will have to handle this year as much as 50 percent more cotton than their normal capacity.

Even though processing facilities have been generally adequate this year, it does not mean that this field can be ignored in the future. Expansion in agricultural production requires a similar expansion in food-processing facilities. Likewise food-processing machinery wears out and becomes obsolete the same as does farm machinery.

We are concerned by the fact that third-quarter allotments of the controlled materials to the manufacturers of food-processing machinery were substantially below their stated requirements. Fourth-quarter allotments were reduced even further. The seriousness of this situation becomes plain when we realize that once facilities are permitted actually to become short, the situation cannot be corrected quickly enough to avert serious loss of food and fiber.

CONTAINERS

It appears that supplies of metal cans will be adequate this year to take care of the seasonal perishable pack. However, to do this it was necessary for NPA to limit the use of cans for other foodstuffs and many other uses. Fortunately we have been successful in getting from the Defense Production Administrator an advance commitment on materials for a full 12-month period beginning with the fourth quarter of 1951, which, though not considered entirely adequate, should improve the situation in 1952. However, it will still be necessary, to continue the limitation on end uses. It is necessary, in the case of cans, to plan a full year's production in advance, because other-

wise it is not possible properly to schedule production and to build up supplies in the proper locations so that they will be available in adequate quantities at the times they are needed.

Special attention also has been necessary this year in the case of most other types of containers and closures needed for packaging agricultural commodities. This includes aluminum foil, transparent wrappings such as cellophane, crates and lugs, milk cans, steel drums, and many others. Likewise serious difficulty developed this year and apparently will grow as a result of the inability of manufacturers to obtain adequate quantities of steel wire for wire-bound boxes, nails, rivets, and staples.

Although the over-all bag situation had eased somewhat by midyear, supplies were inadequate earlier in the year due to a serious shortage of burlap. Cotton bagging, fairly scare in the first quarter of this year, has become more plentiful since. By midyear supplies were reported adequate to meet all demands.

With equally favorable crop prospects for both cotton in this country and jute in India and Pakistan, prospects appear good at this time for textile bags in 1952.

The whole field of agricultural containers is one which requires constant attention. Unfortunately, it is a heavy user of some of the critical materials, particularly steel and tin. Trouble can develop quickly and be of disastrous proportions. The majority of the containers used for packaging agricultural commodities are used only once and then discarded. New containers must be provided for the next crop, and since so many agricultural products are highly perishable they must be packaged immediately when they are ripe or otherwise ready.

I have spent a great deal of time this morning reviewing for the committee how well supplies of the various materials and facilities have measured up to agriculture's requirements during the current crop year. However, we must remember that crop year 1951 largely is behind us. What we do now will not alter in any way what has happened in the past. But the future is still before us. Whether or not we meet 1952 food and fiber production goals and come out of the 1952 crop year enough stronger to tackle with confidence what almost certainly will be a greater agricultural production task in 1953 depends heavily upon decisions that are being made now and those that will be made in the next few months.

Agriculture's lead time is a year or more. To meet its highly seasonal requirements for production machinery, materials, supplies, and other facilities requires similar advance planning, a situation which is not true of many other industries.

As Secretary Brannan pointed out, you can't take agricultural production for granted. It doesn't just happen, like the rising of the sun or moon.

A lot of people seem to think just that. Perhaps it's because our farmers have supplied the Nation so abundantly and so faithfully that our people have never known or had reason to fear a serious food shortage. But this production accomplishment, splendid though it is, has never been easy. And farmers never before have been called upon to accomplish a production task of the magnitude that lies before them.

As a result of the present emergency immediate food and fiber re-

90402—51——12

quirements are greater than they might otherwise have been. But we cannot—we must not—lose sight of the fact that even without war or the threat of war population increases alone will soon have raised requirements beyond their already high level. Likewise, we are facing a mobilization effort of uncertain duration.

In short, we are not in a one-shot situation. The Nation needs increased farm production in 1952. But it also is likely to need even greater production the next year, the second year, the third, fourth, and so on.

With limited land resources and a dwindling farm labor supply this ever-increasing requirement can be met only by further increasing the productivity of each acre of land and of each farm worker.

It can be done.

But for every additional bushel and every additional pound that comes from the agricultural plant we must feed into the hopper additional quantities of farm machinery, of fertilizers, of pesticides, of all the other farm production facilities and supplies. We must see to it that the part of the plant which processes and packages the food and fiber is properly supplied and in good working order at all times. And we must also make sure that the storage and distribution facilities are adequate to perform their part of the task.

For all of these necessary ingredients agriculture is totally dependent upon the quantities of steel, copper, aluminum, chemicals, and other industrial raw materials that are allocated to American industry to be converted into the machines and supplies we need.

Given the tools, and with God's help, American agriculture can do the job.

The CHAIRMAN. Are there any questions, gentlemen?

Senator HICKENLOOPER. Yes, I have some, Mr. Chairman.

In the first place I will contribute some letters and telegrams I would like to have put in the record in connection with the matter.

The CHAIRMAN. They will be placed in the record.

(The telegrams and letters are as follows:)

DYERSVILLE, IOWA., *September 24, 1951.*

Hon. B. B. HICKENLOOPER,
Senate Office Building, Washington, D. C.:

Any further cut in material for farm implement manufacturers would be detrimental to American farmers. Contrary to reports there is no excess of complete machines in dealers' stocks.

KOELKER IMPLEMENT CO.

IOWA FALLS, IOWA, *September 24, 1951.*

Hon. BOURKE B. HICKENLOOPER,
Senate Office Building, Washington, D. C.:

Planned cut of 35 to 50 percent in farm machinery production for 1952 is far too severe to permit farmers to meet increased food production goals. Contrary to Wall Street Journal article farm implement dealers' inventories are not excessive. I wish to protest strongly any cut in production as drastic as contemplated and urge you fight for modification.

RALPH C. MCCLURE,
John Deere Dealer.

WATERLOO, IOWA, *September 24, 1951.*

Senator B. B. HICKENLOOPER,
Senate Building, Washington, D. C.:

Seriously consider further cuts in steel allocations to manufacturers of farm equipment. Some machines are very scarce. Further cuts could be serious. Our inventory at present is not excessive.

REDLYN IMPLEMENT.
BECKER IMPLEMENT.
MILLER IMPLEMENT.

INDEPENDENCE, IOWA, *September 24, 1951.*

Hon. BERT B. HICKENLOOPER,
Senate Office, Washington, D. C.:

SIR: Do not let Wall Street reports of farm machinery excess in the hands of implement dealers influence you on your steel allocation duties. Suggest an inspection to see for yourself. Suggest that cuts be kept at present figures.

Respectfully,

GLEN E. WILSON.

GREENE, IOWA, *September 24, 1951.*

Senator B. B. HICKENLOOPER,
Senate Office Building, Washington, D. C.:

Present allotment of raw materials for manufacture of farm implements not adequate for farmers needs. Strongly urge that you use your best efforts to remedy this critical situation.

R. J. POOLEY.

OSSIAN, IOWA, *September 24, 1951.*

Senator HICKENLOOPER,
Senate Office Building, Washington, D. C.:

We have no surplus of farm machinery. We need more steel for 1952. Kindly do your part to help us out.

DESSEL IMPLEMENT & AUTO CO.

DUBUQUE, IOWA, *September 22, 1951.*

Senator BOURKE B. HICKENLOOPER,
Senate Office Building, Washington, D. C.:

We do not think there is an oversupply of farm equipment in the country, and therefore object to the proposed reductions of steel allocation to the farm machinery industry as voted by the House. Please vote against it.

J. J. BEHR IMPLEMENT CO.

RINGSTED, IOWA, *September 22, 1951.*

Senator HICKENLOOPER:

Concerning the proposed reduction of farm equipment production any action that might reduce the supply of farm machinery will definitely hurt farm crop production. There is no oversupply of farm machinery. We are depending on you to fight against such a reduction.

CHAS. H. CHAMBERS COOPERATIVE GRAIN & PRODUCTS CO.

GENEVA, IOWA, *September 24, 1951.*

Senator BOURKE B. HICKENLOOPER,
Senate Office Building:

Our farm area cannot stand 50 percent cut in farm machinery production. We do not have surplus on seasonable items. Please check into farm needs before making decision.

B. HAYES PATTERSON.

COGGON, IOWA, *September 21, 1951.*

BOURKE B. HICKENLOOPER,
Senate Office Building:

Urge maintainance of steel allocation at present levels if food production goals be maintained.

BAXTER MOTOR & IMPLEMENT CO.

NEVADA, IOWA, *September 21, 1951.*

Senator B. B. HICKENLOOPER,
Senate Office Building, Washington, D. C.:

I have been a farm-equipment dealer in Nevada, Iowa, for 10 years. During those years farm machinery has been in short supply. It is my understanding that we are to get a further drastic reduction in farm machinery for our territory for the coming year because the Government will not allocate enough steel to the manufacturers.

I wish to appeal that you get Mr. Wilson to allocate more steel to the farm-equipment manufacturers and less to the non-essential industries.

Yours very truly,

NEVADA IMPLEMENT CO.,
JOHN A. CESSFORD.

HUMBOLDT, IOWA, *September 21, 1951.*

Senator BOURKE HICKENLOOPER,
Senate Building, Washington, D. C.:

DEAR SENATOR HICKENLOOPER: You remember the desperate plight of the farmers in 1943, when manufacturers of farm equipment virtually closed down because of Government restriction on material. The same situation is threatening us today. More steel must be allocated to farm machine manufacturers by Government if we are to avoid the deplorable days of 1943 and you are familiar with the situation.

CARLSON IMPLEMENT CO.,
O. I. CARLSON.

MARSHALLTOWN, IOWA, *September 21, 1951.*

SENATOR B. B. HICKENLOOPER,
Senate Office Building, Washington, D. C.:

I have been a farm equipment dealer in Marshalltown, Iowa, for the past 16 years. During the past 10 years farm machinery has been a short supply. It is my understanding we are to get a further drastic reduction in farm machinery for our territory for the coming year because the Government will not allocate enough steel to the manufacturers. I wish to appeal that you will get Mr. Wilson to allocate more steel to the farm-equipment manufacturers and less to the non-essential industries.

RELIABLE IMPLEMENT STORE,
MATT ENDSLEY.

DAYTON, IOWA, *September 21, 1951.*

SENATOR B. B. HICKENLOOPER,
Senate Office Building, Washington, D. C.:

I have been a farm equipment dealer in Dayton, Iowa, for the past 17 years. During the past 10 years farm machinery has constantly been in short supply. It is my understanding that we are to get a further drastic reduction in farm

machinery for our territory in the coming year because the Government will not allocate enough steel to the manufacturer. I wish to appeal that you get Mr. Wilson to allocate more steel to the farm equipment manufacturer and less to the nonessential industries.

DAYTON IMPLEMENT,
By EARL FREDERICKSON.

DES MOINES, IOWA, *September 22, 1951.*

BOURKE B. HICKENLOOPER,
Senate Building, Washington, D. C.:

I have been a farm-equipment dealer in Des Moines for 10 years. During the past 10 years farm machines have constantly been in short supply. It is my understanding that we are to get further drastic reductions in farm machinery for our State in the coming year because the Government will not allocate enough steel to farm-equipment manufacturers. I wish to appeal that you get Mr. Wilson to allocate more steel to the farm-equipment manufacturers and less to the nonessential industries.

FARMERS IMPLEMENT CO.
R. H. RICHEY.

DALLAS CENTER, IOWA, *September 22, 1951.*

Senator BOURKE B. HICKENLOOPER,
Senate Building, Washington, D. C.:

You remember the desperate plight of the farmer in 1943 when the farm-equipment manufacturers had virtually closed down because of the restriction on materials. The same situation is threatening us today. More steel must be allowed to manufacturers of farm equipment if we are to avoid this deplorable situation.

WALL IMPLEMENT CO.

CEDAR RAPIDS, IOWA, *September 21, 1951.*

Hon. BOURKE B. HICKENLOOPER,
Senate Building, Washington, D. C.:

Understand Charles E. Wilson plans further cut in steel allocation for farm machinery. Manufacturers will be hopelessly unable to meet 1952 farm requirements on present allocation. Please assist us in averting further cut for the good of the Iowa farmer.

REES & SCHWITTER,
John Deere Dealers.

ALGONA, IOWA, *September 22, 1951.*

Senator BOURKE HICKENLOOPER,
Washington, D. C.:

We understand that on September 27 Washington extends cutting the allotment of steel for farm equipment manufacture by some 50 percent. We direct you to contest this action. Most dealers are not overstocked. Farmers are buying. We contend increasing demand warrants even more equipment.

WILLIAMS & TAYLOR IMPLEMENT CO.,
C. V. TAYLOR.

DUBUQUE, IOWA, *September 22, 1951.*

Senator HICKENLOOPER,
Senate Office Building,
Washington, D. C.:

You remember that the desperate plight of the farmers in 1943 when manufacturers of farm equipment had virtually closed down because of Government restrictions on material. The same situation is threatening us today. More steel must be allocated to the farm machinery manufacturers by the Government if we are to avoid the deplorable days of 1943. Are you familiar with this situation?

I wish to appeal that you get Mr. Wilson to allocate more steel to the farm equipment manufacturers and less to the nonessential industries.

HART IMPLEMENT CO.,
F. E. HART.

OTTUMWA, IOWA, *September 22, 1951.*

Hon. B. B. HICKENLOOPER,
Senate Office Building,
Washington, D. C.:

I have been a farm equipment dealer at Blakesburg, Iowa, for 33 years. You remember the desperate plight of the farmers in 1943 when the manufacturers of farm equipment nearly closed down because of Government restrictions on material. The same situation is threatening us today. More steel must be allocated to the farm machinery manufacturers by the Government if we are to avoid the deplorable days of 1943.

HUBER & MCGUFFY LUMBER AND IMPLEMENTS,
By GEO. HUBER.

HUBBARD, IOWA, *September 23, 1951.*

Hon. BOURKE B. HICKENLOOPER,
Washington, D. C.:

Food and fiber production is endangered by prospect of an additional cut of 41 percent in steel for farm machinery. We understand that the idea has been promoted by some quarters that farm-equipment dealers have an excessive inventory on hand. This is not true. We have a bare normal inventory in a few items while others are complete out of stock and many items have been in short supply throughout the year. This could be a very serious situation for our Iowa farms. Please give it your urgent and serious consideration.

J. W. JANSSEN,
Iowa Retail Farm Equipment Dealer.

MARENGO, IOWA, *September 23, 1951.*

Senator BOURKE B. HICKENLOOPER,
Washington, D. C.:

From published reports I have read, and general information available in regard to material allocations to manufacturers of farm equipment I am fearful that sufficient farm machinery will not be available to farmers in the Midwest. We count on your help to prevent material allocations decreases so that machinery will be available in quantities to meet the needs of the farmers.

S. & S. IMPLEMENTS,
By WALTER S. SCHAU.

HAMPTON, IOWA, *September 22, 1951.*

Senator BOURKE B. HICKENLOOPER:

We protest unreasonable restrictions proposed on material allocation for farm tractor and equipment production for 1952. Farmers must have equipment to meet production goals.

FRANKLIN COUNTY IMPLEMENT CO.,
W. M. ANDERSON, *Manager.*

WEST LIBERTY, IOWA, *September 22, 1951.*

Hon. BOURKE B. HICKENLOOPER,
United States Senate Office Building, Washington, D. C.:

I have been a farm-equipment dealer in West Liberty, Iowa for 51 years, during the past 10 years farm machinery has been in short supply. It is my understanding that we are to get a further drastic reduction in farm machines

for our territory in the coming year. Because the Government will not allocate enough steel to the manufacturer. I wish to appeal that you get Mr. Wilson to allocate more steel to the farm-equipment manufacturer and less to the non-essential industries.

DITMARS KERR & CO.,
E. C. KERR.

EMMETSBURG, IOWA, *September 22, 1951.*

Senator BOURKE B. HICKENLOOPER,
Senate Office Building, Washington, D. C.

DEAR SIR: Regarding allocation of materials for farm machinery; I believe there is a mistaken idea as to the supply of dependable new farm machinery on hand and to the demand and need for future build.

This idea is no doubt due to the year around build of most all factories and therefore certain machines are in dealers stocks several months ahead of the season. Last minute buying has been another thing that has added to this apparent condition. Fact is, as the seasons have arrived our stocks have, in most instances, been inadequate. All the main-line implement dealers that I have talked with feel as I do. That this present cut to 56 percent is far too much and a continuation of that size cut would be a blow to farm production, would invite the return of black markets, and would be a crippling blow to our defense program.

Therefore, we urge you to vote against these drastic cuts of materials to so vital an industry.

Yours truly,

HITE IMPLEMENT STORE,
H. S. HITE.

CLARION, IOWA, *September 22, 1951.*

Hon. BOURKE HICKENLOOPER,
Senate Office Building, Washington, D. C.:

As Senator representing the agricultural and business interest of the State of Iowa, I request your immediate consideration of the proposed cut in production of farm machinery for next season along with the avoidance of taxation by cooperatives. A 50-percent cut in machinery production will work a great hardship on Iowa farmers, cause insolvency of many Iowa dealers, and give the grey market operators great encouragement. If at the same time the cooperatives are allowed to continue tax free on their undistributed earnings, it may mean the end of the independent implement dealer in Iowa.

Respectfully yours,

C. R. BANWELL.

PELLA, IOWA, *September 22, 1951.*

Senator BOURKE B. HICKENLOOPER,
Senate Office Building, Washington, D. C.:

Of great concern to me is the published report and general information available with regard to material allocation to manufacturers of farm implements. I am fearful for the supply for the farmers of Middle West on this proposed program. We have been short of implements for the past 8 years and feel that a substantial cut-back will certainly leave bad results.

We count on your help to prevent material allocation decreases so that farm machinery will be available to meet the needs of the farmers.

Also I wish to advise that I cannot go along with the folks in Washington who think that the co-op groups should get special tax concession granted them. I certainly hope and trust that you will support only bills that will more equally distribute the tax load.

VANDER MEULEN HOEKSEMA CO.
By JOHN HOEKSEMA.

EAGLE GROVE, IOWA, *September 22, 1951.*

Senator BOURKE HICKENLOOPER,
Washington, D. C.:

DEAR SENATOR: I have noticed several very alarming articles in the various newspapers of the past few days regarding the 50 percent cut in the production of farm equipment. This, I believe, is a serious mistake. I don't believe that cutting the production of farm equipment and taking away the labor of the farmers and sending the boys to the Army and Navy will keep up the production schedule that is necessary in the agricultural industry.

These articles state that the retail farm equipment dealer is overstocked. I believe this to be an outright mistake, or the investigation has not been thorough. It might be true in one or two instances as in every community there are short-line implement dealers that do not represent the more popular lines. Naturally, they are always overstocked because their merchandise is not in demand.

In my case, we service about one-third of Wright County, Iowa. Our normal retail business is between $300,000 and $350,000, and our inventory at the end of the year will be less than $25,000. This is too low now. A 50 percent cut would put us way below normal in taking care of our farmer requirements.

Now, then, the staffing of our organization: Regularly we employ a personnel of nine men. If we are to take a 50 percent cut in merchandise, it will be necessary for us to cut our organization in half, and these are men that we have trained in this business for the past 12 years. It would work an awful hardship on our organization to have to retrain men and it would, also, work a hardship on these men and their families if they have to seek employment elsewhere.

I am sure that it would be in the best interest of the war effort not to cut the manufacture of farm equipment 50 percent and I am asking you as our Senator to fight this cut to the last ditch in our interest.

Sincerely,

SCHRAGE IMPLEMENT CO.
S. C. SCHRAGE.

Senator HICKENLOOPER. Mr. Geissler, is the attitude of the Department that an adequate supply of food and fiber is fully as essential as the production of military weapons in time of so-called emergency or defense preparation period?

Mr. GEISSLER. I think I said in this statement it isn't a question of which is the most important. We simply have to have both of them. Certainly the weapons workers in the plants making the weapons of war can't do their job unless they have adequate food supplies.

Senator HICKENLOOPER. The public has a certain interest in having adequate food supplies for the people and all allied activities?

Mr. GEISSLER. Certainly.

Senator HICKENLOOPER. Would you say it is more important to produce weapons of war in a time like this than to produce reasonably adequate food supplies and distribute them? I am just trying to get a balance here.

Mr. GEISSLER. I think the balance is the important thing.

Senator HICKENLOOPER. Certainly you must have some idea as to whether or not food production—how it compares in the general economic well-being of the country with the production of guns and things in this particular period?

Mr. GEISSLER. I try to make the statement that food and fiber are equally important.

Senator HICKENLOOPER. That is what I mean. I agree with you thoroughly.

Mr. GEISSLER. For the simple reason that the whole civilian economy, plus the defense production, could not progress unless the workers first have adequate food supplies; and of course your fighting men cannot use the weapons unless they have adequate food supplies.

Senator HICKENLOOPER. Yes, and the general public, I think, has an interest in this, too.

Mr. GEISSLER. That is correct.

Senator HICHENLOOPER. That being the case, we are on a program in this country—I think your membership on these various boards has indicated—of very substantially increased allocation of steel and metal products to the Armed Forces for the production of weapons. Is that the case? Is that true?

Mr. GEISSLER. Yes.

Senator HICHENLOOPER. Do you have any idea at the moment as to how much in percentage that increase of steel and allied metal products is over and above, let us say, 1948, 1949?

Mr. GEISSLER. I would not have any idea about the percentages.

Mr. STAMBAUGH. In the military?

Senator HICHENLOOPER. Yes, for the military.

Mr. STAMBAUGH. Roughly around 15 percent more of the steel supply.

Senator HICKENLOOPER. More than 1949?

Mr. STAMBAUGH. Yes, that is right. In the first quarter, approximately, it would take not quite 20 percent of the supply. I am assuming back in 1948 and 1949 it was taking less than 5 percent.

Senator HICKENLOOPER. If it jumped from 5 percent to 20 percent, that is about 400 percent.

Mr. STAMBAUGH. Yes, taken in relation to what they were getting. I was thinking in terms of the total supply, sir.

Senator HICKENLOOPER. No, no; I am talking about how much more steel, percentagewise, the Armed Forces are getting now than they got or used in 1948 or 1949. I am talking about before this big preparation began.

Mr. STAMBAUGH. I think you are entirely correct in assuming it is as much as 400 percent, and it will be greater.

Senator HICKENLOOPER. Is there any logical reason, then, if food and fiber production is equally important with the military weapons production end of this matter, that steel allocation to the Armed Forces should be at such a vast percentage increase, and steel allocation to farm machinery should be constantly going down as compared to 1949?

Mr. STAMBAUGH. We do not think so.

Mr. GEISSLER. Of course you do not have to have the increase in allocation of steel for agricultural machinery to meet the needs adequately that you have to have in the defense material.

Senator HICKENLOOPER. I understand that perfectly, and I understand your statement. You have said that you need, say, 115 percent more for 1952 than 1949; that is, for heavy machinery mostly; and that you need 120 percent more for repair parts.

But I am merely tempted to test the theory upon which we justify a tremendously accelerated allocation of steel to the production of weapons and a decreasing allocation of steel to the farm machinery program, when everyone seems to agree—at least the Department of Agriculture—that they are equally important in this effort and that we need at least 115 percent more allocation in order to have the production in 1952 that we had in 1949.

I cannot quite follow that argument. I do not mean to say you are making that argument, but I cannot quite follow the argument of the

reduced allocation in an equally important field and a substantially increased allocation in the other. I wonder what you are going to do about it?

Mr. GEISSLER. We are the claimant agency, and when we arrive at these minimum needs we aggressively, and with all the power we have, try to obtain the allocation of critical materials.

Senator HICKENLOOPER. It is possible the armed services present better arguments to this allocation board than the Department of Agriculture? Somebody has to get this steel allocated for the production of machinery. I know you did—and I certainly did—go through this period in 1943 where the economy of the country suffered very greatly; and I think the war effort suffered because of the shortsightedness of the allocation agencies in not giving reasonably adequate amounts of steel for the mechanical operation of our farms.

Mr. GEISSLER. I think the situation is probably even broader than that, Senator. We have gone through two experiences. We should learn. But prior to the First World War, and certainly prior to the Second World War, we went into those wars in the early period with very adequate supplies of food. The public's attention was directed toward the things which we were short of, which were weapons of war and things like that; and no concern was directed toward those things which at the moment seemed to be in abundant supply.

The public in general seems to coast along with the idea that food and fiber just simply come off the farms by some natural process that is not involved like the military.

Senator HICKENLOOPER. May I suggest, let us not blame the public in general. Let us get the departments and the agencies that are responsible for getting this job done. Even if the public may have a little different or an indifferent attitude toward it, it still, I think, should be the function of the executive agencies to learn by the lessons of the past and to begin in proper time to get these allocations.

As I understand it, we are now beginning a restricted or a lessening allocation of steel to the agricultural business, both the packaging and the machinery end of the thing. I understand that there has been a decreasing amount of allocations this year. Some little increase might have been made a short time ago for this fourth quarter.

When will the determination be made as to just what will be allocated for the first quarter of 1952? What date? That date has been fixed, has it not?

Mr. STAMBAUGH. It is supposed to come out October 8, but it is being held back. I would guess around the 15th. I am strictly guessing.

Senator HICKENLOOPER. Having been through this a little bit back in 1943, one of the great difficulties that came up at that time was the delay in making allocations; and in many instances the delay was so great that the allocations could not be effective for the crop year they were supposed to be made for. They just could not get the steel. They could not fabricate it, and get the machines out for sale and distribution; or in many cases the packaging materials could not be gotten out because the delays in allocation were so great that in these instances they just could not operate. Our method of production and distribution would not work.

Therefore I think it is essential that adequate allocations be secured. Decidedly the determinations must be made in sufficient

time so steel orders can be placed, mills can operate, our companies that either make machinery or wire or packaging goods and things like that can operate so that the materials can get out where the farmers can use them when the crop is ready.

Mr. GEISSLER. That is correct.

Senator HICKENLOOPER. Now I think that you presented those matters in your argument, and it is a very good argument for the farmers, that is very true; except the argument will not do any good if they do not get the machinery.

Mr. GEISSLER. That is true; an argument will not plow an acre.

Senator HICKENLOOPER. Philosophy does not do much good unless it is translated into beneficial results. The accuracy of your investigation upon which you arrive at the figure of 115 percent more need for 1952 for these various products: Would you just tell us exactly how you got that? My personal impression is you did a pretty thorough job, but I think for the record it would be well if you could detail it to indicate the soundness of the basis upon which you arrived at your conclusions of these needs.

Mr. GEISSLER. Each State committee of PMA was instructed to have each agricultural county committee—and there are over 3,000—undertake a survey based upon contact with individual farmers, with implement dealers, farm leaders, county agents, and other folks out there that work with farm organization poeple.

Senator HICKENLOOPER. Did you discuss it with manufacturers and producers of such things as farm machinery, wire, tin, and so on?

Mr. GEISSLER. At the local level, no; it was discussed with the local dealers. They arrived then at a quantity of machines, item by item, that they would need, predicated upon the production goals they were asked to carry out for that year. You undertsand that our production goals have been higher than our 1948 or 1949 production in acres and total volume.

When they got that sort of a survey made at the county level, which involved contacting many people and going into each community and taking a look at the production pattern that they knew would be carried out in that county, the county committee and the mobilization committee, which includes the county agents and the other agricultural folks in the county, reviewed this.

Then they sumbitted a summary of the survey from the county level to the State level. At the State level, the State experiment station, State land grant college, extension director, our committee—and the State commissioner of agriculture usually sits in—folks like that, reviewed these county surveys and county determinations.

They looked at them in the light of the acreage of the various crops that would be planted and all that sort of thing, and tried to come up with a realistic figure for that State. Then that figure was sent to Washington from the 48 States.

Senator HICKENLOOPER. That is three-thousand-and-some counties?

Mr. GEISSLER. That is right, in the 48 States. Then at the Washington level those figures were compared to statistics in the Bureau of Agricultural Economics as to past use of machinery and past sales and all that sort of thing. They were reviewed with the manufacturers, people in the machinery industry, and were again screened to see if they were realistic figures. What we were trying to come up

with was not a maximum need but a minimum adequate need for doing the job.

That is how this 115 percent was arrived at. As I pointed out a while ago, and you can see from the summary, it is not a uniform percent. Each machine has a percentage of its own.

Senator HICKENLOOPER. Yes; the table you put in shows that.

Mr. GEISSLER. As you review that, you will notice immediately that the higher percentages are in the labor-saving types of machine, and the lower percentages are in the obsolete machines that are going out and horse-drawn equipment and that sort of thing.

I might add, Senator, we made this survey on several occasions during the last war. Our experience during that period was that those surveys were the best information we could possibly get.

Senator HICKENLOOPER. It seems to be a very broad basis, and it seems to be a very proper basis for conducting such a survey.

Mr. GEISSLER. We could enter into the record here the instructions that were sent out to the State and county folks for making that.

Senator HICKENLOOPER. I think it might help the record.

The CHAIRMAN. Without objection, that will be placed in the record at this time.

(The above-mentioned material is as follows:)

UNITED STATES DEPARTMENT OF AGRICULTURE

PRODUCTION AND MARKETING ADMINISTRATION

INSTRUCTION NO. 1235—AUX 1

Action by: State PMA committee.

ESTIMATED NEW FARM MACHINERY AND EQUIPMENT REQUIREMENTS, 1951

Approved for the Administrator:

HAROLD K. HILL,
Assistant Administrator for Production.

I. PURPOSE

This instruction is to request a report on estimated new farm-machinery and equipment requirements for the calendar year 1951. The estimates shall be for normal requirements and shall express all required purchases in the calendar year 1951. The estimates should include all purchases made since January 1, 1951. They are to be stated as a percentage of the volume of new machinery bought in 1949, the most recent year for which production and sales data are available on a national basis. The data are to be used as a basis for determining the Nation's requirements for farm machinery and equipment for the year ahead when production of many machinery items may be curtailed. The figures should accordingly be as realistic as possible.

II. GENERAL

County and State committees may be called upon in the course of the emergency to lend assistance with local shortages. It is possible that they may assist in the actual rationing of some critical items. It is desirable therefore that this study be started at the county level not only because the county committee are close to the farmers and their specific problems and are in a position to determine their needs, but also it will serve to prepare them for the job ahead. State committees with their more generalized understanding of farm-equipment needs and with recommendations of the county committees will be in a position to evaluate over-all requirements for the States.

Before beginning this survey it may be desirable to reexamine the national farm machinery situation which was covered in the material distributed at the PMA annual conference in Chicago last December and tables 1 and 2 attached hereto showing the number of machines on farms and the number sold in the United States in recent years. Even though the requirements are to be based on volume of machinery bought in 1949 we have included table 1 showing the number of machines on farms with the thought that this would be of indirect value to the committees.

Estimates of the county committees are to be obtained first. These are to be consolidated into a single State report by the State committee. These estimates shall be based on the committees' best judgment of the degree to which farmers' equipment needs were met in 1949 and in the light of their knowledge of the crop and livestock plans of the State and county for the next several months.

The estimates should represent the true needs of farmers for equipment which should be brought in the calendar year 1951. It is not intended to find out how much equipment farmers would like to buy, nor what they might buy this year in lieu of purchases that may be needed in subsequent years. The present and prospective basic materials supply situation should not cause the committees to under estimate the real farm needs on patriotic grounds nor to overestimate them for fear of being unable to get equipment later. The Department is attempting to learn the true needs of farmers.

In appraising the machinery situation, the following factors should be considered:

1. The quantity of machinery needed to maintain farm mechanization at existing levels through the replacement of worn-out and obsolete equipment.
2. Substitution of machine power for declining animal power.
3. The labor-saving potentialities of each type of equipment, and the possibility of substituting labor-saving machinery for lost manpower.
4. Crop and livestock plans for 1951.
5. Shifts in crop and livestock production.
6. Desirable balance between various types of equipment.
7. Ascending or declining importance of various lines of equipment in modern farming practices.
8. The unused potential of machines now on farms.
9. The efficient utilization of land as related to efficient utilization of farm machinery.

In arriving at the State estimate, the State committee and advisory group shall consider these same factors.

III. COUNTY COMMITTEE INSTRUCTIONS

The county committees should consult only those outside sources from whom opinions can be obtained promptly and preferably by telephone. The starting point of each requirement estimate is the 1949 supply situation. The committees shall first determine, by items and by groups, whether farmers' machinery needs were met 100 percent or more or less during 1949. Then they shall appraise all pertinent changes in the farming situation of the area since 1949, and make appropriate adjustments of the tentative percentage figures. An increase of 5 percent in 1951 requirements over the volume purchased in 1949 shall be reported as 105 percent and a decrease of 5 percent as 95 percent.

An appraisal of the actual supply situation during 1950 should be shown by the appropriate symbol in the last column of Forms OMF–2 and OMF–3.

(*a*) *Machinery units.*—First, an estimate shall be made for each specific item of machinery and equipment of importance in the county which is listed on Form OMF–2. Such of these items as are not significant for the area (viz: corn pickers in Arizona) shall be reported with a check in the percent column. Otherwise a percentage estimate is required.

Next, all other items that are important in the county and for which a specific estimate is considered desirable, shall be listed in the left column and estimates made. This includes items calling for a different estimate than is needed for the class as a whole.

Reasons for any requirement substantially above or below 100 percent shall be explained under "Remarks."

An estimate for all machinery in the class not otherwise estimated shall be made under "All units not listed above."

With specific reference to the estimates for tractors only, certain size groups are shown on Form OMF–2. Only a single estimate for each of these is required, provided such a grouping enables the county to show its need adequately. However, if it is found necessary to break down these groups in order to show certain needs more specifically, the committee shall do so. In that event, no estimate shall be made on the "size group" line but in the space underneath it (in column 1) the sizes or kinds of unit requiring more specific estimate shall be entered, and the estimates made. Below this enter, "All others of size group" and complete an estimate for this line. Thus, the two or more lines inserted by the committee would cover the entire size group.

Exhibit A, Example Showing Portion of Report on Form OMF–2 in Assumed Situation, is attached to illustrate the method of preparing the requirements for machinery units. The handwritten script represents entries made by the committee.

(*b*) *Attachments.*—Attachments in general are required in proportion to the production of new machines they are used with. Therefore, no estimates are required for attachments, but if because of some unusual situation in the area a different estimate for attachments is necessary, such estimate shall be made on Form OMF–2 under the appropriate machinery class and within the space below the line marked "Other units not listed above." This estimate shall be supported by pertinent remarks. An illustration of the method of reporting on attachments is shown in exhibit A herewith.

(*c*) *Repair parts.*—Requirements for repair parts shall be reported on Form OMF–3. As a rule, repair parts are required in proportion to the volume of machinery on farms. If the available parts were adequate in 1949, a requirement claim of 100 percent, when applied to the larger 1951 farm inventory and translated into factory output, ordinarily would provide for equivalent maintenance. On the other hand some extraordinary circumstances may have altered the repair needs. This must be shown as specifically as possible.

An extraordinary repair need might have resulted, for example, from changes in the farming pattern increasing or decreasing the use of a machine (or class of machines), or from a remarkably heavy or light postwar purchase of one machine or class of machinery, which altered the average usage or age or condition of the equipment. Inferiority of a particular model owned extensively in the area might increase the requirement. All such pertinent conditions should be reflected in the requirement estimate to the extent feasible.

Unusual requirements for repair parts should be itemized specifically under the applicable machinery class, whenever possible, otherwise a single entry shall be made for the class. All deviations from 100 percent should be explained under "Remarks."

IV. STATE COMMITTEE INSTRUCTIONS

The State committee, in order to judge the county estimates and develop an estimate for the State, is advised to establish and consult a special farm machinery technical advisory committee which may include representatives from the State land-grant college, the agricultural experiment station, extension service, BAE State statistician, the State agricultural commission or department, and such other competent sources or interests as the State committee considers appropriate.

When the county reports are received, the State committee shall transfer the county committee percentage estimates to a listing sheet on which counties are grouped as nearly as possible into type-of-farm districts. In this form the data can be viewed most realistically at the State level. Any county estimates that appear too large or too small should be circled and adjusted. A statement explaining the reasons for the adjustment shall be prepared and securely attached to the listing sheet. The State committee shall then prepare a State report, following the same procedures as that outlined in section III for county committees. The State report (Form OMF 2 and OMF 3) shall not be a mathematical summarization of the county reports. Instead the State committee, in conjunction with the technical consultants, shall analyze all of the county estimates, give due consideration to the collective judgments of the counties, and prepare a single State requirement estimate based on the judgment of the group at the State level.

If more space is needed than the forms provide for detailed listings or remarks, continuation sheets may be attached as required, each such sheet being identified at the top by page number followed by "continuation a," "continuation b," etc. Every State report should be accompanied by a statement explaining how the State requirements were developed and pointing out which classes of equipment could be bought on demand at the beginning of 1951 and which were hard to get. Any unusual situation in the State or any aspect of the estimates requiring clarification should also be covered in this statement.

V. REPORTING FORMS

Twenty sets of this survey material, estimated to meet the needs of the State office in preparing and submitting data, accompany this instruction. In addition, a supply of forms sufficient for all of the county committees in your State has been forwarded to you under separate cover.

The survey forms are provided in separate numbered sheets to save time in drafting and producing copies of reported data. When preparation is completed, it is requested that the original and one carbon copy of the State survey sheets, Forms OMF–2 and OMF–3, with supporting statements be collected in sequence and stapled together and submitted to the Director, Office of Materials and Facilities, Production and Marketing Administration, United States Department of Agriculture, Washington 25, D. C. In addition one copy of the listing sheet on which county estimates are tabulated should be included in your transmittal. Please indicate whether you desire to have this office arrange to duplicate the listing sheet and return copies to you. This material should reach Washington by April 10, 1951, or earlier, if possible.

VI. REIMBURSEMENT

Obligations incurred by State and county committees in connection with this survey will be reimbursable. State and county office allotments will be increased to cover such obligations within the limits of the total funds available for this purpose. The total funds available are limited. You should therefore be very careful in incurring obligations for this purpose. Further information and instructions on funds will be provided by the Office of Budget.

VII. APPROVAL BY REPORTS COMMITTEE

The reports required by this instruction have been approved by the PMA Reports Committee by report approval No. 52, February 16, 1951.

Attachments.

EXHIBIT A

Estimated requirements of new farm machinery, calendar year 1951, complete units and attachments

Class and items	Estimated percent of 1949 supply that is needed in 1951	Justification or comments	1950 supply situation
TRACTORS			
Wheel tractors (belt horsepower):			
Light (to approximately 20 horsepower):			
Under 10 horsepower	25	Better to concentrate on "heavies"	Plentiful.
All others of size group	90	Adequate if we get more big units	Do.
Medium (to approximately 30 horsepower).	90	do	Do.
Heavy (over 30 horsepower):			
Large-wheeled type for nursery cultivation.	150	Serious loss of labor, must substitute these for walking types.	Scarce.
All others of size group	125	Impending labor shortage emphasizes need for big units.	About adequate.
HARVESTING MACHINERY			
Combines	105	Bigger goals, labor shortage	Do.
Corn pickers	105	Expect bigger livestock and corn goals	Do.
Field forage harvesters	100	Replace worn-outs and increase number of machines on farms at same rate as in 1949.	Do.
Potato diggers	25	Replace worn-out units only	Plentiful.
Beet lifters	105	Acreage increase for 1951, hand labor scarce.	About adequate.
Windrowers and swathers	60	This area bought abnormally large number in 1949.	Plentiful.
All units not listed above	90	Maintain present farm supply	About adequate.
Attachments (optional):			
Row-crop attachments for field-forage harvesting.	125	Many forage harvesters were bought since the war without these attachments. Prospects of big dairy goals call for more corn silage, more attachments than were bought in 1949.	Scarce.
CULTIVATORS AND WEEDERS			
Cultivators, corn and cotton, tractor-drawn and mounted.	95	For replacements and to match new power units only.	About adequate.
Field cultivators	95	Mounted only, to replace worn-out drawn equipment and to match new power units.	Do.
All units not listed above	95	Replace worn-out equipment and match new power.	Do.

TABLE I.—*Manufacturers' sales of farm machines for domestic farm use, United States, 1935–39 average and 1940–49*

[In thousands]

Item	Manufacturers' sales for domestic use											
	1935–39 average	1940	1941	1942	1943	1944	1945	1946	1947	1948	1949	Percent 1949 is of 1940
Tractors:												
Wheel-type tractors	151.0	206.0	26.0	204.7	76.0	198.0	177.0	193.0	333.0	433.0	451.0	218.9
Crawler-type tractors	4.8	9.7	12.5	1.6	1.5	4.4	8.0	7.2	9.0	12.8	12.2	254.2
Garden tractors	3.8	4.4	8.1	12.0	6.9	11.2	13.2	54.6	79.5	78.4	60.8	1,600.0
Plows and listers:												
Plows:												
Tractor moldboard	102.5	146.4	179.0	147.3	52.0	116.1	143.0	135.4	216.4	271.8	278.3	190.1
Tractor disk plows	5.8	10.0	14.0	12.8	4.5	11.8	10.0	10.0	35.9	53.3	55.4	554.0
Horse-drawn, walking	183.9	113.6	112.9	100.0	59.8	74.5	76.6	74.2	98.5	96.6	45.4	40.0
Horse-drawn, sulky and gang	6.1	2.4	1.7	1.9	.4	1.2	.2	.2	.1	------	------	------
One-way disk plows or tillers	9.5	11.7	17.1	13.4	4.8	10.7	10.4	14.9	23.2	32.7	19.9	170.1
Listers, drawn and mounted (with or without planting attachments)	30.1	33.8	42.3	34.8	15.8	36.3	59.4	38.7	46.8	60.0	60.4	178.7
Harrows, rollers and pulverizers:												
Disk harrows, all types	91.1	100.2	138.4	108.4	48.0	117.7	111.0	161.4	219.4	304.4	265.2	264.7
Spike-tooth harrows (number of sections)	172.2	176.1	233.3	189.1	66.7	191.4	193.1	232.6	343.1	477.9	353.3	200.6
Spring-tooth harrows (number of sections)	106.1	96.4	108.5	103.7	22.5	90.1	99.9	99.5	1 20.	4167.8	160.2	166.2
Planting, seeding, and fertilizing machinery:												
Grain drills, plain and fertilizer types	36.5	35.8	47.4	41.4	13.7	46.4	49.1	34.1	46.7	61.9	65.1	181.8
Corn and cotton planters:												
Horse-drawn, 1 row	56.7	46.0	47.6	46.9	21.1	34.0	32.7	27.6	31.6	37.5	32.3	70.2
All other (mostly 2-row and larger)	55.2	40.4	59.6	60.0	20.0	55.4	58.1	47.3	69.7	113.7	156.5	387.4
Manure spreaders	40.7	45.8	69.3	62.5	18.6	46.5	46.2	43.0	58.8	113.1	116.3	253.9
Potato planters (all sizes)	3.4	3.8	3.2	3.0	2.8	4.3	4.8	4.6	3.4	2.9	1.6	42.1
Beet and bean drills	1.2	.9	.8	1.3	.7	1.1	1.8	1.9	2.9	3.9	1.4	155.6
Cultivators and weeders:												
Cultivators, corn and cotton:												
1-horse	89.2	73.6	65.2	75.6	41.9	54.4	61.9	68.6	64.7	89.5	60.4	82.1
2-horse	51.8	33.8	36.0	30.7	9.3	31.8	27.2	19.6	7.7	23.7	16.5	48.8
Tractor-drawn and mounted	87.6	91.4	170.3	160.3	85.0	178.4	180.8	142.9	225.1	347.8	295.4	323.2
Rotary hoes	2.8	4.4	7.4	5.7	4.6	8.0	8.0	9.8	28.0	58.4	43.9	997.7
Field cultivators	7.4	7.8	13.0	13.1	2.9	14.6	16.3	19.0	31.2	59.7	49.4	633.3
Sprayers and dusters:												
Power sprayers	8.9	4.6	6.1	5.5	3.7	5.7	8.3	14.6	31.4	100.2	62.3	1,354.3
Power dusters	1.4	1.8	3.3	4.9	3.6	7.0	6.8	10.0	13.2	15.8	12.3	683.3

See footnotes at end of table.

TABLE I.—*Manufacturers' sales of farm machines for domestic farm use, United States, 1935–39 average and 1940–49*—Continued

[In thousands]

Item	Manufacturers' sales for domestic use											
	1935–39 average	1940	1941	1942	1943	1944	1945	1946	1947	1948	1949	Percent 1949 is of 1940
Harvesting machinery:												
Grain combines (all sizes) [1]	24.1	37.6	59.5	43.4	25.0	41.3	48.8	48.0	70.6	88.9	102.6	272.9
Grain binders (all include rice)	37.7	(2)	(2)	4.2	4.6	9.4	7.8	(2)	8.0	(2)	(2)	.....
Potato diggers (1- and 2-row elevator type)	3.2	3.2	3.2	3.2	2.0	5.6	5.0	4.7	4.3	4.9	2.1	65.6
Beet lifters	1.4	1.5	1.8	2.0	1.1	.8	1.4	1.7	2.4	1.8	.2	13.3
Beet harvesters	(2)	(2)	(2)	(2)	(2)	.4	.3	1.3	1.5	2.6	.9	.....
Corn pickers	10.0	10.8	19.4	13.9	12.2	23.1	36.8	34.9	66.4	76.7	89.1	825.0
Field forage harvesters (includes row-type and field hay choppers)	(2)	(2)	(2)	(2)	(2)	2.6	2.6	6.7	15.2	16.0	18.5	.....
Cotton pickers and strippers	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	2.3	2.3	.....
Haying machinery:												
Mowers:												
Tractor mounted or semimounted	.....	44.7	70.8	47.2	31.5	70.8	67.3	76.2	130.9	211.4	183.7	411.0
Horse or tractor-drawn	.....	55.2	83.8	70.3	15.1	48.3	46.4	36.7	44.1	47.6	13.6	59.1
All types and sizes	95.7	99.9	154.6	117.5	46.6	119.1	113.7	112.9	175.0	259.0	216.3	216.5
Rakes:												
Side delivery	20.0	25.3	35.2	29.2	13.9	38.5	37.9	27.8	57.7	89.7	107.1	423.3
Sulky or dump	34.0	29.7	40.0	26.5	9.6	18.7	23.0	17.8	29.7	22.5	18.2	61.3
Balers:												
Stationary (all types)	.....	5.7	6.1	3.2	1.5	4.4	4.6	5.6	6.2	3.4	2.3	40.4
Pick-up, wire	4.0	1.4	7.4	8.9	4.2	11.8	12.3	10.8	6.2	14.0	18.4	1,314.3
Pick-up, twine	.....	.....	.....	.....	.....	.....	.....	.....	18.9	30.4	32.7	2,335.7
Machines for preparing crops for market or for use:												
Peanut pickers and threshers	.8	.7	.9	2.9	1.4	.8	1.1	1.8	2.1	1.9	1.4	200.0
Stationery threshers	5.3	2.5	2.8	1.8	.8	1.7	1.1	1.5	1.0	1.3	.7	28.0
Hammer and rougnage mills	23.7	49.5	58.8	51.0	23.4	52.4	56.4	94.8	81.9	64.4	39.3	79.4
Feed grinders (burr type)	6.3	6.3	7.2	5.7	3.6	6.5	5.3	9.4	10.0	7.8	3.8	60.3
Farm dairy machines and equipment:												
Cream separators	79.7	100.0	125.5	99.8	32.8	68.6	85.9	109.6	93.3	50.0	35.2	35.2
Milking machines (vacuum pump units)	14.9	32.2	51.2	29.1	44.2	74.2	116.5	128.9	75.8	51.4	40.5	125.8

[1] For tractors and combines, imports as well as the shipments of domestic manufacturers are included in the above estimates. For all other items, the above figures represent total shipments of domestic manufacturers less exports.

[2] Not available.

NOTE.—Form data developed by the Bureau of the Census, with tractor sales adjusted to exclude nonfarm tractors, and adjusted to actual exports as reported by the Bureau of Customs.

TABLE II.—*Estimated number of specified machines on farms Jan. 1, 1950*

	Wheel tractors	Crawler tractors	Garden tractors	Home-made tractors	Manure spreaders	Milking machines	Tractor moldboard plows	Combines	Grain binders	Corn pickers	Mowers	Side-delivery rakes
Maine	14,000	600	4,800	3,700	6,000	4,500	13,500	500	2,300	10	26,500	1,600
New Hampshire	5,500	250	3,800	1,350	4,000	2,900	5,900	300	200	20	12,000	2,500
Vermont	8,100	550	1,400	900	11,000	10,000	7,700	500	1,400	20	21,000	6,900
Massachusetts	10,200	1,200	9,300	3,300	6,500	4,600	12,200	300	400	20	16,000	4,500
Rhode Island	2,200	50	500	400	1,000	400	1,900	10	50	10	1,500	600
Connecticut	10,000	700	2,800	1,200	6,500	4,200	9,200	290	150	20	14,000	4,300
New York	110,000	5,200	17,900	7,800	50,000	53,900	107,000	11,000	33,000	1,100	110,000	46,000
New Jersey	21,000	1,500	7,600	1,600	8,500	4,050	20,100	1,800	2,000	1,100	14,000	6,000
Pennsylvania	124,600	6,050	19,000	7,600	75,000	43,500	126,000	14,400	54,500	9,100	115,000	47,000
Delaware	5,900	50	900	25	3,000	1,250	5,300	1,100	1,400	600	5,000	2,100
Maryland	26,000	1,000	3,000	1,025	17,000	6,700	26,200	2,800	7,600	1,700	25,000	8,500
North East	336,900	17,150	71,000	28,900	186,000	136,000	335,000	33,000	103,000	13,700	360,000	130,000
Ohio	182,000	2,900	23,000	5,500	117,000	44,000	169,000	39,000	56,000	33,000	169,000	76,000
Indiana	141,000	1,250	11,000	1,550	76,000	31,500	134,000	38,000	21,000	42,000	127,000	41,000
Illinois	226,000	3,400	10,000	500	107,000	40,500	205,000	65,000	36,000	66,000	138,000	63,500
Iowa	261,000	1,700	7,300	800	122,000	47,000	232,000	41,000	86,000	85,000	180,000	105,000
Missouri	111,000	1,500	6,700	2,050	46,000	20,000	107,000	22,000	41,000	14,000	168,000	21,500
Corn Belt	921,000	10,750	58,000	10,400	518,000	183,000	847,000	205,000	240,000	240,000	782,000	307,000
Michigan	150,000	5,000	20,000	8,600	99,000	58,000	153,000	21,000	45,500	14,000	127,000	81,000
Wisconsin	169,000	2,300	8,800	6,800	121,000	86,000	162,000	13,500	98,000	11,000	169,000	96,500
Minnesota	201,000	2,500	7,700	5,700	118,000	72,000	186,000	22,500	100,500	36,000	163,000	70,500
Lake States	520,000	9,800	37,400	21,100	338,000	216,000	501,000	57,000	244,000	61,000	459,000	248,000
North Dakota	107,000	1,450	1,100	275	26,000	7,700	92,000	33,000	51,000	4,500	74,000	4,000
South Dakota	93,000	900	800	250	31,000	5,800	81,000	18,000	37,000	20,000	65,000	4,000
Nebraska	143,000	1,250	2,200	425	62,000	13,500	101,000	30,000	51,000	33,000	103,000	19,000
Kansas	152,000	3,950	3,300	800	41,000	20,000	115,000	66,000	39,000	6,500	98,000	14,000
Great Plains	495,000	7,550	7,400	1,750	160,000	47,000	389,000	147,000	178,000	64,000	340,000	41,000
West Virginia	10,400	550	3,300	950	6,200	1,900	10,000	500	6,800	200	56,000	4,000
Kentucky	39,000	900	3,300	850	14,500	6,400	40,000	6,800	10,600	2,200	87,000	16,000
Tennessee	38,000	900	2,200	525	11,500	6,300	37,000	6,100	7,600	1,100	106,000	8,000
Virginia	35,000	1,400	8,300	800	21,000	5,300	27,000	6,700	16,900	3,200	68,000	15,000
North Carolina	48,000	1,600	3,900	1,875	4,100	2,100	27,000	9,900	8,100	2,300	77,000	11,000
Appalachian	170,400	5,350	21,000	5,000	57,300	22,000	141,000	30,000	50,000	9,000	394,000	54,000

TABLE II.—*Estimated number of specified machines on farms Jan. 1, 1950*—Continued

	Wheel tractors	Crawler tractors	Garden tractors	Home-made tractors	Manure spreaders	Milking machines	Tractor moldboard plows	Combines	Grain binders	Corn pickers	Mowers	Side-delivery rakes
South Carolina	27,000	900	1,700	250	1,500	700	13,000	6,000	3,500	700	41,000	2,500
Georgia	47,000	1,400	4,500	200	1,800	1,600	19,000	7,000	3,500	700	44,000	6,800
Florida	15,800	2,550	6,600	1,250	300	600	10,000	500	100	100	12,000	1,000
Alabama	33,000	1,250	1,900	100	1,700	1,600	27,000	4,500	1,000	600	37,000	5,700
Southeast	122,800	6,100	14,700	1,800	5,300	4,500	69,000	18,000	8,100	2,100	134,000	16,000
Mississippi	39,000	1,400	3,400	150	1,400	2,700	32,000	6,700	1,000	800	46,000	2,800
Louisiana	33,000	1,100	2,800	200	1,000	2,100	29,000	4,500	4,000	500	21,000	3,200
Arkansas	50,000	900	2,200	200	3,000	2,700	31,000	7,800	6,000	800	61,000	5,000
Delta	122,000	3,400	8,400	550	5,400	7,500	92,000	19,000	11,000	2,100	128,000	11,000
Oklahoma	100,000	1,450	3,300	400	10,000	12,000	81,000	27,000	26,000	2,200	55,000	14,000
Texas	235,000	5,000	6,400	1,000	8,000	11,500	104,000	31,000	27,000	3,300	92,000	14,000
Oklahoma-Texas	335,000	6,450	9,700	1,400	18,000	23,500	185,000	58,000	53,000	5,500	147,000	28,000
Montana	45,000	3,200	1,200	450	12,000	5,400	32,000	18,200	11,300	230	35,000	4,400
Idaho	28,500	6,500	1,550	600	16,000	10,800	25,000	11,000	7,700	160	36,000	10,400
Wyoming	14,000	800	450	150	4,400	1,900	10,700	2,800	3,800	80	18,000	2,200
Colorado	44,000	3,700	2,200	800	24,800	7,400	32,600	11,000	12,400	1,675	41,000	16,400
New Mexico	18,000	500	450	100	800	1,300	10,300	3,300	1,400	30	10,000	4,100
Arizona	11,000	1,300	650	50	300	1,000	5,700	500	200	10	8,000	3,500
Utah	12,800	1,300	1,650	100	8,000	4,200	11,500	2,000	2,900	15	15,000	4,400
Nevada	2,600	350	50	50	700	500	2,200	200	300	----------	4,000	1,600
Mountain	175,900	17,650	8,200	2,300	67,000	32,500	130,000	50,000	40,000	2,200	167,000	47,000
Washington	26,000	13,000	11,000	3,250	14,000	13,400	39,000	9,600	6,550	25	41,000	10,500
Oregon	31,000	7,800	10,000	1,900	12,500	8,200	35,500	7,200	4,500	100	40,000	8,500
California	69,000	40,000	18,200	1,650	13,500	16,400	64,500	6,200	1,850	275	41,000	14,000
Pacific	126,000	60,800	39,200	6,800	40,600	38,000	139,000	23,000	12,900	400	122,000	33,000
Total	3,325,000	145,000	275,000	80,000	1,395,000	710,000	2,828,000	640,000	940,000	400,000	3,033,000	915,000

Senator HICKENLOOPER. My purpose in asking the question was to see how broad your basic investigation was and how much reliance could be put upon the figures which you developed. It seems to me it was a very broad base, and it ought to bear some weight in your presentation of your case.

Mr. GEISSLER. I would like to point out that those were screened very carefully at two or three levels: The county level, the State level, and here, to make sure they were realistic figures.

Senator HICKENLOOPER. You touched on this in your statement, but I think it is a most important factor, at least it is in our State—the two causes of difficulty on the farm and farm labor, one being the exodus from the farm to the factories which has been going on at an even greater rate, I think, recently; and then so many of the young men from the farms going into the armed services.

Do you consider that those two have had a very great effect on the availability of farm labor throughout the United States?

Mr. GEISSLER. I think those two factors are almost it; that is it.

Senator HICKENLOOPER. Therefore that in and of itself increases the demand for labor-saving farm machinery and distribution machinery, packaging and things of that kind——

Mr. GEISSLER. In the early part of our statement——

Senator HICKENLOOPER. Which would further justify your statement that we need at least 115 percent more machinery for 1952 than we had for 1949.

Mr. GEISSLER. You will note in our statement here we pointed out in the last 5 years we lost 1,500,000 farm workers off of farms.

Senator AIKEN. Wage ceilings also enter into the picture there, because even though a farmer can get a machine, he cannot increase the pay of a man who operates it but 10 percent.

Mr. GEISSLER. Generally they have trouble competing with factory wages anyway.

Senator AIKEN. The factory pays perhaps $1.50 an hour and lays them off any time they do not need them. The farmer has to keep them 365 days a year, and he cannot pay them as much. I know, even though you get the equipment, if you cannot raise the pay of a farmhand over 10 percent to operate that equipment he is not going to stay because he can get twice that much going 100 miles away into a war plant.

Senator HICKENLOOPER. Mr. Geissler, I just want to ask you about your experience in carrying out your duties as a procurement agency, that is, to procure the allocations for this industry. Within the various other groups that make up the final authority which Mr. Fleischmann exercises in the allocation of steel, do you find disagreement that food and fiber production is equally important with the production of guns in an emergency period of this kind? I mean, do you find people who argue that it is not?

Mr. GEISSLER. No, I do not think we could honestly say that. I think the difference is in whether or not we need 115 percent to get it.

Senator HICKENLOOPER. Here is the expert on food and fiber production in the Department of Agriculture that has made a very comprehensive and broad survey right from the grass roots on through, and comes up with this figure, which you are apparently willing to defend and which I think you should defend.

Yet we find that they are increasing the military allocations and decreasing the allocation of agricultural machinery, steel, and other metals; at the same time apparently everyone is in agreement that food and fiber production is just as important in the final emergency as guns and military trucks.

The CHAIRMAN. The difficulty might be, Senator Hickenlooper, that in the Army you might have more experts to present their cases.

Senator HICKENLOOPER. The Army seems to have no difficulty in getting all the equipment it needs—in most instances triple the amount they say is the minimum.

Senator YOUNG. I think there is a different problem involved. If we were in all-out war, of course, we would have to greatly step up the production of implements of war. In that event we would probably go back to the same situation we faced in the last war, that is, practically no allocations for steel for farm machinery. We would also be faced with food rationing.

We could get along with less steel for farm machinery if we were willing to ration food.

Senator HICKENLOOPER. While some people say we are in war, other people say we are not in war. I think we are in some places. But this seems to be the time to get this job done. In other words, rather than go on with diminishing production at this moment as against the time when we might, as Senator Young says, have to cut down, it would seem to me this is the period of time when we should not restrict below reasonable minimum needs which you have outlined here; and we could do it now because it is entirely possible in the time of all-out war emergency, it might require that we stop doing everything just as we did during the war as far as moderate needs were concerned of civilian goods.

Mr. GEISSLER. Senator, we certainly would not want to leave the impression here that the job of DPA is an easy one; the job of allocating these critical materials is a most difficult one. It is not just between agriculture and the military. There are many other defense-supporting activities which use tremendous quantities of critical material. Your oil expansion program; your power expansion program; your transportation program, I mean of railroads and boxcars and all those things, enter into the picture.

Senator HICKENLOOPER. Highways.

Mr. GEISSLER. Highways, and things of that nature. So I think it would be unfair here to leave the impression that this is an easy job. I think what we must have is more steel. We cannot appropriate $59,500,000,000 for a rearmament program but what that is going to demand the steel and other metal. We know that. Therefore we must have a step-up in steel.

Senator HICKENLOOPER. But at the same time that we appropriate $59,500,000,000 and we give the Army the authorization through appropriation authorizations to proceed with their expansion, we cannot for one minue allow them—the Army, the Ordnance Department, and Mr. Fleischmann and Mr. Charles Wilson—believe that it must all be funneled in that direction.

We have an essential responsibility and a problem here to get steel allocated in order that we keep pace with our food production and that we meet the machinery needs of the farmer when we are taking

his manpower away and putting them in defense plants and in the military services.

So this hearing is timely. I had a session 10 days ago with Mr. Wilson and again with Mr. Fleischmann, and the same question was argued at that time, that you are going to have steel for machinery or you are going to endanger the food supply.

I think your record here of information obtained from the county PMA men, and they in turn got it from the local dealer and the farmers' needs, is very timely, and we need to go to Mr. Fleischmann and Mr. Charles Wilson, not only in one month but every month throughout, to make certain that the military does not becloud their vision on the farmers' needs.

The CHAIRMAN. The Committee proposes to hear from Mr. Fleischmann to propound to him the very questions that Senator Hickenlooper was asking Mr. Geissler. What I would like to ask you is this. Your first allotment of steel for next year has been presented and the determination is going to be made some time next month.

Mr. STAMBAUGH. That is correct.

The CHAIRMAN. You state here on page 8 of your statement that the outlook for 1952 is not so optimistic at this time. Now will you tell us what prompts that sentence? You have not heard from them yet, and I presume you are battling for it. What leads you to believe that you will not get the required amount? Have you been so informed?

Have they told you about it? Just what prompts that sentence?

Mr. GEISSLER. Maybe the battle itself makes us feel a little bit that way. Actually the lower amount that was available and channeled to agriculture in the third quarter of this year was less than the requirements as indicated by this survey.

Senator HICKENLOOPER. Less than the 1949 allocations, were they not? Is that not true?

Mr. GEISSLER. And the fourth quarter, which we already have, which begins October 1, is substantially lower than that. You see, that is less than our 1949.

Senator HICKENLOOPER. I mean the allocations this year are less than your 1949 allocations, are they not?

Mr. GEISSLER. For this fourth quarter, yes.

Senator HICKENLOOPER. For the whole year.

Mr. GEISSLER. No, not for the whole year because the first half is pretty heavy.

Senator HICKENLOOPER. How much did you have allocated for machinery this year, including your fourth quarter?

Mr. STAMBAUGH. There were no allocations made in the first half of the year, Senator. The allocations in the third quarter were comparable to 1949, approximately 608,000 tons of carbon steel. We stay in terms of carbon steel. That was cut to 550,000 tons of carbon steel for the fourth quarter.

Senator HICKENLOOPER. So you estimate you need somewhere between 2,700,000 and 3,000,000 tons, do you not, for 1952?

Mr. STAMBAUGH. Our survey shows if we keep in terms of quarters, so we can compare the quarters, we would need approximately 680,000 tons of carbon steel to carry out the requirements of that survey.

The CHAIRMAN. You mean in the first quarter?

Mr. STAMBAUGH. The first quarter and continuing quarters in 1952—688,000 tons, to be exact. You see, the Agricultural Machinery and Implements Division in NPA converted that survey into critical materials and came up with 688,000 tons of carbon steel that it would take to supply the requirements as stated. If you multiply that by four, you are essentially correct—around 2,700,000 tons of carbon steel for the year.

Senator HICKENLOOPER. I think the figure has been used some place between 2,700,000 and 3,000,000.

Mr. STAMBAUGH. That is for farm machinery and, of course, farm supplies that go in that category.

Senator HICKENLOOPER. That does not include packaging, does it?

Mr. STAMBAUGH. No, sir; we use in packaging a great deal more than that. It might be interesting to note that just tin cans take enough carbon steel to make approximately 3,000,000 automobiles. We are rather a big claimant in this whole thing.

Senator AIKEN. Tin cans are not charged up to the agricultural allotment, are they?

Mr. STAMBAUGH. Not farm machinery. But we support that claim by the Containers Division in NPA just like we support the claim of Agricultural Machinery and Implements Division in NPA. We are, of course, critically interested.

Senator AIKEN. I noted on the ticker in the Capitol the other day a short news item that appeared to me to be more important than any of the other longer ones, and that was to the effect that a substitute had been developed for tin in the manufacture of cans.

Mr. STAMBAUGH. Yes.

Senator AIKEN. Aluminum with a plastic coating. If that works, it is likely to have more effect on the national and international situation than probably any other item which appeared on the ticker that day.

Mr. STAMBAUGH. I am afraid we cannot depend on it in the near future.

Senator AIKEN. This year, next year, or the year after.

The CHAIRMAN. The trouble is we are short of aluminum.

Senator HICKENLOOPER. I want to ask one other question, Mr. Chairman, or maybe two; I do not know. On the 23d of this month, Mr. Fleischmann in San Francisco said—I will just read the first sentence:

> The head of the Nation's defense production effort today said that production of civilian goods, including automobiles, will be cut at least 10 percent in the first 3 months of next year.

I assume that that is the program as Mr. Fleischmann announced it. Does that 10 percent include steel for farm machinery—the production of farm machinery and packaging materials for agricultural crops?

Mr. GEISSLER. I think Mr. Fleischmann was talking specifically of automobiles there.

Senator HICKENLOOPER. He says civilian goods. This does not quote him exactly, but it is a news story saying civilian goods, including automobiles, and I just wondered if that is in the offing—that we get a further cut of 10 percent in the program for next year.

Mr. GEISSLER. Generally when they speak of that category, they are talking about consumers' durable goods and automobiles, which does not generally include agriculture.

Senator HICKENLOOPER. My question was: Is it contemplated that steel for agricultural machinery and packaging materials will be cut by somewhere around 10 percent or any other percentage for at least the first quarter of next year?

Mr. GEISSLER. That has not been resolved, Senator. The only thing I can point out is that for the fourth quarter this year it was cut. I do not believe there is anything in the steel supply picture which makes the first quarter look any more promising than the fourth quarter of this year.

Senator HICKENLOOPER. Then apparently we are heading now along in advance of an anticipated emergency which may occur with the diminishing farm machinery supply again.

Mr. GEISSLER. I can assure you that if we have to operate at the level of the fourth quarter of this year in the first quarter and second quarter of next year, we are going to have extreme machinery shortages to the point where we are going to lose crops.

Senator HICKENLOOPER. There is no question about it. I understand you people are doing your best to get these allocations up to where you think they ought to be. I am not criticizing you for the final decisions. That is not the point of my statement here, or remarks.

But I do hope that you can stimulate your activities to the point where you can get this job done for farm machinery; that you can at least make the same successful representations that the Armed Forces seem to be able to make, and certain other groups in the country, where they are getting steel. I think it is very vital.

Mr. GEISSLER. We are doing our level best, Senator; and I would like also to add that we have been very ably supported by the farm machinery industry at all levels—manufacturers, distributors, and so on down the line. They have not only helped us in the support, but they have helped us in furnishing very good data.

The CHAIRMAN. And Members of Congress, also.

Senator HICKENLOOPER. I think probably the farm machinery industry is in business to survive. They are probably interested in this from that standpoint. But I am also concerned about the average farmer who is not always fully aware of the necessary things that have to be done long in advance.

He wakes up one day here and finds that he cannot get machinery that he has to have, and he wants to know what is the matter, what is wrong with this situation. Lots of people do not stop to think that the planning, the allocation, and the fabrication of these various things have to be done long in advance of the time when he comes in and buys them off the floor or off the lot or someplace else.

It is in the hopes that we could avoid at least a substantial part of that shortage at some time in the future when we need it that I hope we can get busy at this moment and see that they do not take steel away from the processing and production activities of agriculture which is, I think, just as essential as to have guns to shoot.

Do not misunderstand me. I do not mean to say we should have a complete surplus of food in time of an emergency, but we should have reasonable and adequate food and we can produce it; and I think proper and adequate and sound planning and allocation can keep that balance going.

Mr. GEISSLER. The important thing, Senator, that is of interest to everybody, every citizen of this country, is the end product, and that

is food and fiber. I think the Secretary presented some information here last Thursday which indicated very clearly that our food reserves have gone down substantially in almost every category this last year.

Senator HICKENLOOPER. They have gone down for the last 2 years, have they not?

Mr. GEISSLER. Yes, and we are headed for levels of reserves, especially in our livestock feed, for example, where we will probably have at the end of next year less than a 2-month supply of feed for the entire livestock of this country. That is your meat; that is your dairy products; that is your poultry products, and every bit of it.

That is cutting it pretty thin if we should happen to have a poor corn crop.

Senator HICKENLOOPER. At the same time we are lessening farm labor, and this program is cutting down the amount of steel necessary to go into the mechanical labor-saving devices for the production of food.

So we know that our supplies and reserves are going down to a dangerously low level. If they continue next year as they have continued the last two, they will be down to almost nothing, comparatively.

Mr. GEISSLER. That is correct.

Senator HICKENLOOPER. And by the same token, we are cutting down on the machinery supplies which is the only real source of producing the surpluses we need. I think it is a tremendous case that has got to be solved or we are going to have trouble here before too long.

Senator YOUNG. I think the alarming thing is that in spite of the fact that we have had very favorable crop years, we are not building up surpluses anywhere near the extent we had prior to the last war. If we had some very unfavorable years or a widespread drouth such as existed in the thirties, we would be faced with a really serious situation.

Senator HICKENLOOPER. Of course we have not got into this, and I do not intend to; but our population is going up somewhere around 2,000,000 a year, and our agricultural acreage is practically all taken up now, and there is very little more that is available in this country.

Mr. GEISSLER. With the population going up 20,000,000 in the next 10 years, the situation that we consider today an emergency or an abnormal situation, 10 years from now will be a normal situation with the number of mouths we will have to feed.

Senator HICKENLOOPER. The new term is "normal emergency."

The CHAIRMAN. Thank you very much, Mr. Geissler.

The next witness is Mr. Wendell Butler. Mr. Butler, will you give us your name in full and identify yourself for the record, please, sir.

STATEMENT OF WENDELL E. BUTLER, PRESIDENT, ALLIED FARM EQUIPMENT MANUFACTURERS ASSOCIATION, WATERLOO, IOWA

Mr. BUTLER. Mr. Chairman, my name is Wendell Butler. I make my living as vice president of the Galloway Co., Inc., of Waterloo, Iowa. But I am speaking to you today as president of the Allied Farm Equipment Manufacturers Association. I have with Mr. Mr. James A. Flannagan, Jr., of our Washington staff.

The CHAIRMAN. I notice you have a prepared statement, Mr. Butler. Do you mind being interrupted as you go along?

Mr. BUTLER. Not in the least. Allied Farm Equipment Manufacturers Association represents and is made up almost entirely of small farm-equipment manufacturers, with a total membership now of nearly 200 members.

I might say, Mr. Chairman, that if the remarks I offer to you here today seem to be somewhat conflicting, it is because the members from whom I gathered them are human beings; and they present somewhat a conflicting picture.

I might also say that I am only able to tell you the truth as I know it and as I have gathered it. If there are other situations that exist in the industry that I have not covered, it is only because I do not know of them.

I sincerely appreciate the opportunity to discuss with you very briefly the problems that face our segment of the industry and the situation in which we find ourselves today. The small manufacturer of farm equipment is a very important cog in the wheels of progress of the agricultural industry. If it were not for the large number of medium, small, and very small farm equipment manufacturers, the farmers of this country would not have many specialty tools with which to work. These specialty tools cannot be economically produced by large manufacturers. Many of these tools are made to meet certain soil conditions existing only in local sections of our country, while others are capable of doing special jobs on particular types of farms.

But whatever purpose they accomplish, they all add to the productivity of American agriculture, and for the main part are essential labor-saving devices. Even those items which the small manufacturer produces which seem to duplicate similar items offered by larger manufacturers, are important to our economy because they keep competition keen between manufacturers, wholesalers, and retailers and thus tend to assure better prices for our farmers, as well as better machines than might exist without that competition.

Small manufacturers are responsible for a great deal of the progress that has been made in the industry in recent years, because they have willingly taken upon themselves the job of pioneering a vast number of new items for use on the farm. Many of these labor-saving devices are now aiding materially to increase our agricultural output, and they are a direct result of the daring and faith, as well as the sweat and toil of small manufacturers. Many of the fine machines that are now a part of the lines of merchandise of the large and better-known farm equipment manufacturers got their beginnings in the plants of small companies.

Because our association is concerned entirely with that large segment of our industry embracing approximately twelve hundred small manufacturers of farm equipment, we cannot and do not pretend to be in a position to accurately present facts or conditions affecting the large manufacturers in the industry.

Consistent with our policy of always telling a representative and true picture as best we know it, however, I have within the last few days surveyed our entire membership to gather certain information which I feel you ought to know. In order that you may more fully understand and appreciate present-day conditions, I want to call your attention to one or two points of past history.

In March of this year I represented our association in an appearance before the House Subcommittee on Agriculture, and described our then existing situation with regard to the very serious problem of securing sufficient materials, mainly steel, with which to keep our plants operating. It was not then and is not now a matter of our being able to secure enough material to meet the demand for our products, or to enable us to realize our fond dreams of plant expansion and increased sales. It was merely a matter of continuing to operate at all. It was really a problem of life or death.

At that time, you will remember, there was no priority system on materials and all of us in the farm-equipment industry were forced to compete for the available material on the open market. While we were being refused steel from the legitimate sources of supply for various reasons, which ranged all the way from the excuse that there was not sufficient steel to go around to the fact that the steel mills had set up their own allocation system which prohibited many a manufacturer of farm equipment who did not have a buying history with the mills from entering any orders with them for material this year.

This was a bad blow to the majority of small manufacturers, because, as you can easily understand, a large number of them were new in the farm-equipment business, some of those companies having been started in operation in recent years by veterans of World War II; and it was our contention that this policy on the part of steel mills not only discriminated against many people who should logically and normally be their customers, but likewise completely stifled progress and the growth of new companies.

Shortly after that hearing, order M–55 with its accompanying DO–87 priority rating assigned to farm equipment manufacturers, was issued by NPA. This was a fine attempt to solve the problems of our industry, and was a step in the right direction. It failed miserably, however, to correct the situation, because the order lacked teeth. DO–87 ratings were assigned to purchase orders for materials, but steel mills refused still to accept the orders. Most common reason for this refusal was the fact that they had no room on their schedules because their output was already fully taken by tonnage set aside for the defense program, and the balance was not even enough to supply their already establishd customers, who also had priority ratings of various degrees.

Again in May of this year our association sponsored testimony before the House Small Business Committee, again stating our main problem was that of securing steel from legitimate sources at a price we could afford to pay in sufficient quantity to merely remain alive and in business. Shortly thereafter the present Controlled Materials Plan was put into effect.

Because many of us had worked with the Controlled Materials Plan during World War II and found that in the last 2 years of its existince it seemed to work reasonably well, we thought the new CMP was the answer to most of our problems. Actually, the experience of the third quarter was fairly good. Many of us who had been unable to obtain sufficient material to keep our plants operating, even on a break-even basis, were able, by the use of the priority rating alloted us under CMP, to obtain material largely from legitimate sources and remain in operation. Although our output was not actually sufficient to meet the food and fiber goals set forth by the Department of

Agriculture nor to meet the demand of our customers, we were at least better off than in the first 6 months of the year, and saw some hope of living through.

We are more than discouraged, however, at the prospects for the fourth quarter of this year, and the outlook for the first quarter of 1952 is even more dismal. As manufacturers of farm equipment, we were willing to accept the decision of our Government when it caused the allotments of steel and other critical materials to our industry for the fourth quarter to be cut to approximately 70 percent of that which we were allotted in the third quarter, in spite of the fact that the United States Department of Agriculture has made a careful and detailed survey showing that an increase, instead of a reduction in farm machinery output, is needed.

Actually, in fact, many manufacturers with whom I have talked expressed the opinion that this, in effect, would not hurt our operations too much because we had only been able to secure about 70 to 80 percent of the material which was allotted to us in the third quarter anyhow. It was our feeling that perhaps the allotments might be more realistic in the fourth quarter.

We fully realize that the matter of installing a Controlled Materials Plan in this country and causing it to function equitably is a tremendous job. We do not expect miracles overnight. We were quite willing to accept the fact that errors would be made, bottlenecks created, and problems arise; but we had faith that the American system would get these problems worked out without damaging delay. We still believe that a solution to our problems can be reached in time to avoid damage to our industry and to agriculture if we present the facts sincerely and clearly, and if action is taken immediately.

We were given to understand that under CMP some amount less than the total available steel capacity of our country was allotted to all programs. This made us feel that we could expect to place our priority rated orders with legitimate suppliers and have quite definite assurance of getting delivery of the reduced amount allotted to us during the fourth quarter.

Needless to say, it was a rude shock, however, to find that when our orders were placed immediately upon receiving our allotments, the vast majority of our orders were refused by the steel mills on the excuse that their books were already full with other priority rated orders; not only for the entire fourth quarter, but in many cases for the first quarter of 1952 as well.

We have come to look upon the CMP allotment much as you would, a reserved-seat ticket for the theater. But even those of us who got there early and stood in line waiting for the doors to open found the house was already full to overflowing, and the seats we thought we could occupy were already taken. NPA told us that this condition should quickly clear itself within approximately 2 weeks after the allotments for the fourth quarter were mailed out of Washington.

They still insisted—in fact, they stated so quite definitely at a meeting of the Industry Advisory Committee held in Washington on Thursday, August 2—that less than the total supply had been allotted; and there should be plenty of steel mill capacity to take care of all priority rated orders, and have some small amount still available for unrated uses. They further reasoned that the overcrowded condition of mill schedules could only be caused by duplication of

orders and orders in excess of allotment by some programs and some manufacturers.

In an attempt to be sure that this condition was corrected, they issued printed warning cards with every CMP allotment stating that all manufacturers should immediately review their booked orders to see that they had not ordered in excess of their quota, and that all duplications and excess orders should be cancelled immediately. The expected cancellations and the resulting openings on mill books for the large portion of farm-equipment material allotments which were unable to be placed has not occurred to date.

We are still being told, as recently as the last few days, that the steel mills are receiving absolutely no cancellations, and that there is still no hope for us to receive the material we were allotted for the fourth quarter, and very little chance of our even receiving our allotted material in the first quarter of 1952, however small that allotment may be.

In order to be sure that I could paint this picture truly for you, I have just completed a survey of our entire membership and have received many telegrams from our members describing their exact condition in this regard. While I am happy to say that a very few of our members have found it possible, for some unknown reason, to place their requirements for the fourth quarter the large majority have been refused to the extent that they are able to place amounts varying from only 20 percent to 50 percent of their reduced allotment.

You can appreciate how serious this condition is, not only for the members of our industry who are attempting to continue in operation and live, but also for the possibility of making available sufficient farm equipment with which the farmers of our country can produce the food and fiber with which to feed the Nation and the world, when you remember that the material allotments amounted to only 70 percent of what we were allotted in the third quarter, and now we are unable to order and receive at least half of the 70 percent allotted us.

Senator THYE. What is the situation relative to your affiliated companies filling orders that they have received for the merchandise? Are there many back orders?

Mr. BUTLER. It varies considerably from individual company to individual company. But in the main there is a substantial amount of back orders on hand at manufacturers' plants which are not now being filled because of lack of material.

Senator THYE. Would you mind just running through and giving the type of equipment on which there would be back orders? Is it farm machinery or is it barn cleaners, stanchions, and such equipment in barns to take the place of an extra hired man? That is what I am getting at.

Mr. BUTLER. It is entirely, of course, labor-saving machinery. We can say that safely.

Senator THYE. Of your number of small companies some would be in barn equipment; some would be such as barn cleaners. Five years ago did you not very often see a barn cleaner going in. Now you cannot get a man that is willing to stoop down in the gutter and clean those barns. So the producer is faced with putting in barn-cleaning equipment.

Mr. BUTLER. That is right.

Senator THYE. Now your manufacturers are engaged in manufacturing that type of equipment.

Mr. BUTLER. Some of them; yes.

Senator THYE. If the man is going to have to carry on with one farm hand in his farm operations, he is going to have to put in barn cleaners or some devices of that kind to take up the work that this one hand had usually done. Furthermore, you are not going to get a man to do the job unless some of these devices are put in. The companies that are affiliated with you are engaged in that type of manufacture?

Mr. BUTLER. That is right. It involves all types of equipment from the post-hole diggers with which to put in a fence to the barn cleaners and stanchions and litter carriers, and to disk plows; and there are even some of them tremendously short on corn pickers, strange as that might sound.

Senator THYE. But your smaller companies are engaged in various different types of manufacture than you will find in the old-line machinery manufacture that has been in the field for quite a number of years.

Mr. BUTLER. Substantially; yes.

Senator THYE. Of course the Galloway Co., Inc., has been in business for a number of years.

Mr. BUTLER. Approximately 50 years.

Senator THYE. Some of the newer companies have come up with some new labor-saving equipment that is highly desirable and that has made possible the high food and fiber production with the minimum of hired help that is available today.

Mr. BUTLER. That is right, terracers and ditchers, for instance, with which to improve their agricultural output in many areas are tremendously short.

By pure common mathematics this tells us that the amount of farm equipment to be produced in the fourth quarter of this year is quite likely to be only 30 to 35 percent of that produced in the third quarter, and the third quarter was based on 100 percent of the last half of 1949 and the first half of 1950. Even if we were permitted to continue to produce 100 percent of base period, it is estimated by members of our industry and the Department of Agriculture, that not sufficient machines would be made available to maintain for very many months the agricultural output that this country needs. To reduce the farm-equipment production to one-third of that base period, it seems to us, may very quickly prove ruinous.

A solution to the situation is not easy. If the actual allotments are truly less than the available steel capacity, and yet if the steel mills' books are already overcrowded before all of the allotments are cashed, it prompts us as members of the industry to ask, "Where is all of the steel going?" The unbelievable part of our problem is that when we ask this question of the steel mills, their answer is, in effect, "That's what we'd like to know too."

Personally I find this answer rather difficult to accept because I have talked with some steel company executives. In talking with the men who run the steel industry, I have found them to be men of intelligence and ingenuity, and I cannot believe that they do not know any more than this about their own business. I am very sure that if a customer came into my place of business and wanted to buy any given

quantity of our merchandise, and I was in the position of having to tell him that our production was already oversold, he would not receive any, I sincerely believe that if I wanted to, I could walk into our sales department and find out in less than 10 minutes' time where our production was going and who was getting it in preference to the customer I had just turned down.

Yet the steel mills say this is an impossible job for them to do in their own companies. It causes many of us small manufacturers to wonder if they actually do not know the answer, or just do not care to tell.

The CHAIRMAN. During the examination of a witness on the matters you are now talking about, I asked whether or not Government officials followed through to see that this steel was utilized for the purposes indicated, and they said they did have teams to do that.

I am wondering why that is not effective?

Mr. BUTLER. As I will say a little later in my statement, Senator, it appears that the interpretations of the allotments and the regulations by Government officials and by the steel companies themselves varies considerably. That might account for it.

The CHAIRMAN. You mean they place a different meaning to the same allocation?

Mr. BUTLER. Yes.

The CHAIRMAN. That is a new one.

Mr. BUTLER. Another perplexing side to our problem is that now again as we find ourselves unable to secure steel from legitimate sources such as mills and warehouses, the black market in steel continues to flourish. We are continually being offered apparently unlimited quantities of all types of steel at outrageous prices. The steel being offered by these firms calling themselves steel brokers had to be produced in somebody's steel mill.

I can easily understand, gentlemen, how a black market in meat could spring up overnight because most any one or two persons can find some farmer from whom to buy the live animal, and in somebody's garage or a shed or a back lot and with a few knives, butchering can be accomplished easily, quickly, and with a small investment. This can be brought about entirely outside of the normal channels of distribution and processing.

But this is not true of steel. Steel cannot be produced in the back room of a cigar store. Steel must be produced by established steel mills, and those are not built overnight. Steel mills are created at great expense over a period of many months or years; and so all of the steel that is now finding its way into the illegitimate channels has to be produced by existing and known steel mills—the same mills, I suggest to you, who say their books are already overloaded and they have no steel for us.

We can, however, buy their steel on the so-called open market every day of the week if we are willing or can afford to pay the price. While the steel mills say they cannot accept our orders for even future delivery far into the fourth quarter, or even in the first quarter of 1952, we are able to buy the same material at extremely high prices from steel brokers and get immediate delivery.

A further complication in our ability to secure materials allotted us has now arisen since the issuance of direction 3 to NPA order M–1. This regulation allows the steel mills to decide whose orders they will

accept and in what amounts. In spite of the fact that we are now assigned allotments and priority ratings, this in effect puts a majority of the small manufacturers of farm equipment back in the same desperate position as they were in the first 6 months of this year before any priority rating was assigned to our industry.

For now again the steel mills are furnishing steel only on a quota basis of their own design. This means that manufacturers who did not exist or who did not buy mill steel in quantity from those mills over 10 years ago now have no home for their purchase orders. All new companies are immediately stifled. Many old companies are likewise put out of business because the mills with whom they have quota have discontinued selling in certain areas of the country, and no other mill will give them a buying quota.

This is again reminiscent of the days of the depression when employers said to college graduates looking for jobs, "We hire only experienced people. Come back after you have had 5 years' experience and we will hire you." But no one would hire the poor boy to give him the 5 years' required experience.

How, indeed, is a manufacturing concern to accumulate a buying history, and thus a quota, with a steel mill when the doors have been effectively closed for the past 10 years and no opportunity has been allowed for the accumulation of such a quota? This system is going to work many hardships among the small members of our industry and will result in a severe loss to American agriculture of many badly needed tools.

Perhaps a clue to the cause of the fourth quarter dilemma has been submitted to us in the difference in interpretation or understanding of the regulations between the farm equipment division of NPA and the steel companies themselves. While I doubt seriously that this can account for the entire bad situation, it may be a contributing factor.

NPA's written orders issued to members of our industry state that any portion of our third quarter material allotment which is not delivered to us by the steel mills within 15 days after the close of the third quarter—this will be October 15—must be automatically canceled or the orders reinstated with the steel mills by use of a fourth quarter allocation rating.

This would have the effect of wiping the steel mills' books clean of any third-quarter carry-over on October 15, and even though it would mean that some of us might lose additional portions of our third-quarter allotment over and above what we have already been unable to secure, it would, at least, for all intents and purposes, leave the fourth quarter uncluttered for the placing of fourth-quarter allotments, and, it seems to us, enable members of our industry to know better where we stand.

The steel companies, however, tell us that this is not the existing condition, and that they have no intention of operating in this manner. They inform us that their instructions and their plans are to continue to hold all undelivered orders from the third quarter and carry them over into the fourth quarter on top of fourth-quarter allocations. It is easy to understand how this would certainly complicate the possibility of placing fourth-quarter allocations.

90402—51——14

It might seem on the face of it that this would actually do no harm to members of our industry; but you must remember, gentlemen, that farm equipment is a seasonal business, and the types of material ordered for products in the third quarter will not necessarily produce the equipment our industry is expected to put out in the fourth quarter. In my own company, for instance, it is not possible for us to use the steel sheets ordered for grain elevators to produce spike-tooth harrow sections.

I suggest that the result is likely to be that for fear of an impending critical shortage of material and the fact that all manufacturers are human beings, the third quarter orders carried over by the steel mills and shipped in the fourth quarter will be delivered to manufacturers; and even though they may not have use for that material in the fourth quarter, it will be accepted by them and put in stock. Many of them will save this material to be used perhaps not until the second or third quarter of 1952, but it will, in most cases, not be usable for production in the fourth quarter.

We are, therefore, using up our steel producing capacity now for implements that won't be available or needed by agriculture until the middle of next year. This, I suggest, creates an overemphasized and inflated demand for steel. It will also contribute to a definite receding of steel demands in the middle of next year if anything like the normal supply of steel is still available at that time, and this will merely provide the steel companies with the full ammunition with which to substantiate their theory that farm equipment industry is hollering now for additional steel capacity that they cannot in normal times support.

Some few manufacturers will not be in financial condition to take in the third-quarter steel shipped in the fourth quarter, but will be reluctant to cancel those orders or return their allotments for fear of reducing their quota in the future. And so they will accept delivery of the material, but because of their financial condition will immediately resell it on the open market. They think by doing so that they are maintaining their own quota for receiving steel in the future and protecting themselves. But in reality, they are hurting the country and the industry, as well as their individual situation, by allowing that much more steel to find its way into illegitimate channels and merely increase the black market operations.

At the moment there are some who express the opinion that there is an ample supply of farm equipment available. In fact, some have said that dealers are overloaded with inventory and that distributors' warehouses are full to overflowing. They follow this reasoning with the conclusion or suggestion that agriculture and the farm equipment industry cannot be hurt by taking a severe cut-back in the allotment of material or in their ability to secure material, even though allotted. Such opinions are very short-sighted.

You gentlemen know that farm equipment must be produced well in advance of season, and that even if there were a temporary plentiful supply of farm equipment, drastic reduction of farm equipment production at this point would merely sneak up and stab us in the back next spring after the present inventory has been completely dissipated, and the need of our American farmers would not be met.

Then, however, when the shortage of farm equipment is apparent to everyone, it will be too late to remedy the situation. By that time

it will be impossible for factories to order steel, plan production, produce machines, and get them into the hands of dealers and distributors, in time to use them during the planting and growing season, and 1 year's crop will be seriously damaged before the situation can be corrected.

I need only to call to your minds the experience of our country and industry in 1942 and 1943 in the early days of World War II, when we went through just that experience, to impress upon you the shortsightedness of cutting farm-equipment production now, because of a feeling of oversupply at the moment. May I also remind you that it is not consistent to call for reduced farm equipment now, because of inventories, because of the very elementary fact that the machines now in inventories are built for fall harvesting requirements and are not at all the types of machines that will be needed to plant next year's crop.

So even if we were to grant—and, incidentally, we are not willing to grant it—that there is at present an oversupply of farm equipment at dealer and distributor levels, it must be remembered that the large majority of it will not be usable next spring and, therefore, this is not the time to reduce production in an effort to level out those inventories.

The opinion that there is such a surplus of inventory is sponsored by several reasons. One, of course, is that there was enough damage to the country's wheat crop this year to result in lowering of the demand for combines and other harvesting equipment, because the crop the farmers could produce would not warrant the purchase of new equipment in the amounts normally anticipated.

At present the farmers are greatly concerned over the outcome of the corn crop, and because the farmer is habitually a cautious and last-minute buyer, he is now holding off his purchase of corn pickers and other equipment until he actually starts to pick his corn and knows that he's going to have a crop. I think I can safely say to you that if the weather is favorable—and it well appears that it will be by now—there will be a sufficient corn crop in this country to dissipate almost entirely the present inventories of corn pickers, wagon boxes, corn cribs, elevators, and the like. If the corn crop is fairly good, as might be reasonable to expect now, a very large portion of the present inventory will disappear quickly.

I suggest also that a very substantial reason behind the opinion of present oversupply is a fictitious one and a figment of our imagination. We must remember that dealers and distributors alike have been living for almost 9 years under a condition of shortage of farm equipment. During that time dealers and distributors have become accustomed to having merchandise sold before it is received. Many of them who have been in business long enough to know better have forgotten that their normal function in the distribution channel is that of carrying a reasonable stock of the machines they sell. They have been so accustomed to doing business with empty warehouses and empty lots that now when they have even a few machines on hand, they express the opinion that they are overstocked.

When you ask them frankly how long they think their present inventory would last if no more were available, and if you can get them to think seriously on the subject, they will admit that their present supply could easily vanish in the matter of a few days, and then manufacturers would be faced with the hue and cry of great demands

unsatisfied by lack of production. The margin between scarcity and plenty has grown tremendously thin. As long as a dealer has one more customer than he has units, the supply is tremendously short; but when he has one more unit than he has customers, immediately he is in an overstocked condition.

Another part of this somewhat fallacious reasoning about glutted inventories is caused by dealers and distributors looking at their balance sheets, for there they see that the dollar amount of their inventory has continued to increase and is much greater than it used to be. They are certainly not alone. We manufacturers face exactly the same condition. In a great many instances, however, the dollar figures on the balance sheet are higher only because the dollar value of that inventory has increased, but the physical amount of inventory is no more than normal.

It is easy for us to understand how a dealer who is accustomed to operating on $100,000 of capital—and not very many of them have even that much—can look at his balance sheet today, see that such a high proportion of his operating capital is tied up in inventory that he thinks he is overstocked. He forgets to look at the other side of the ledger and see that his sales volume figures have increased in direct ratio to his inventory, and that in reality, he is turning his inventory just as often as he used to.

And so I suggest to you, gentlemen, as a representative of at least a segment of the farm equipment industry, that there is not an alarming oversupply of farm equipment available today. Even with the somewhat satisfactory performance of CMP in the third quarter, inventories at factory level are almost completely wiped out, and there is little or nothing in factories with which to replace the inventory in dealers' and distributors' hands when it goes out.

I further suggest to you that unless something is done to clear up the overly confused material situation in the fourth quarter, within 6 months you will find the farmers of this country saying that they are unable to produce the food and fiber needed by our Nation because of an extreme and acute shortage of farm equipment. If I could suggest answers to our problem, I would have spent this time in doing so instead of taking your time to talk about the problem itself. I am just not bright enough to know the answer.

We strongly urge, however, that there be found a way to change the present situation so that our already reduced allotments of materials for the fourth quarter, and even the first quarter of 1952, can be placed by factories with legitimate suppliers so that especially the small manufacturers whom our association represents will be enabled to continue to live and produce some quantity of their very vital tools so that they can continue to live to serve American agriculture .

If this problem remains unsolved for many weeks, it can only mean that this country will face a drastic shortage of farm equipment within 6 months. How soon this shortage will translate itself into a lowering of agricultural output, I am unable to say at this moment. But it seems basic that farmers of this country will fall far short of the food and fiber goals certainly within the year of 1952.

The CHAIRMAN. Mr. Butler, in the course of your statement, you mentioned the existence of black markets and that some of your membership purchased from them. Has your association tried to investigate where the black markets get their steel? Have you followed

through with any of the offers made with a view of trying to determine that?

Mr. BUTLER. We have to the best of ability, Mr. Chairman. That is rather difficult to do, as you can appreciate. However, we have cooperated with the Office of Price Stabilization by furnishing to them names and addresses of so-called steel brokers, and their offerings of steel.

The CHAIRMAN. Have any of your companies or your associates attempted to buy this black-market steel?

Mr. BUTLER. They have not only attempted to buy it, Mr. Chairman; they have been forced to buy it to keep in production.

The CHAIRMAN. Did those who buy give information to the Department here at Washington in order to capture these black marketeers or deal with them as they should be dealt with?

Mr. BUTLER. Yes, that information has been sent to Washington. Another thing that has been done is that every time a steel shipment is received from a steel broker, members of our association are instructed to look all over the shipment for any steel mill's marks.

Some steel mills do mark their steel distinctively. Others do not. Occasionally we have found distinctive marks and we have cut that segment out of the piece of steel and sent it to the steel company themselves. I will say that at least publicly the steel companies have professed a very sincere desire on their part to stamp out this black market where they find it. I know of some instances where they have actually cut off a customer where it was found that that steel was going into the black market. But it still exists in a very tremendous amount.

The CHAIRMAN. When you say a customer of the steel mill, do you mean one who retails to the trade such as your associates?

Mr. BUTLER. I think in the instances I have heard about, it has turned out to be some manufacturer who has unwittingly accepted steel from the mill in greater quantities than he can use and then has turned around and fed it into the open market. Or some warehouse which has accepted steel in greater quantity than he can use turns around and feeds it onto the market.

The CHAIRMAN. That was evidently before the allocations were put in effect—this quantity of steel of which you speak?

Mr. BUTLER. It still exists.

The CHAIRMAN. You mean even with allocations?

Mr. BUTLER. Even with allocations.

The CHAIRMAN. How can it?

Mr. BUTLER. We are receiving in our office every single day offers of steel from illegitimate sources, or from brokers.

The CHAIRMAN. Would you say that that steel comes from manufacturers who have received allotments and whose allotments were in excess of their requirements and who in turn permit this steel to flow into the black market?

Mr. BUTLER. That I do not know.

The CHAIRMAN. How does it get there, then? You say it exceeds their allotment. That is what I would like to know. I do not see how it could exist unless it happens most of your people are crooks and get allotments.

Mr. BUTLER. If I knew how it got there, I am sure we could have gotten it stopped by now. But finding out how the steel gets into the hands of the steel brokers is very, very difficult. That is a job

that would be worthy of an agency like the FBI because it is not an easy thing to probe into.

The CHAIRMAN. You say you have made efforts to trace it.

Mr. BUTLER. We have made every reasonable effort to trace it, yes.

Senator HICKENLOOPER. Mr. Chairman, I think what Mr. Butler is talking about in the main, as I understand it, are these offers coming from brokers, steel brokers, not manufacturers necessarily.

Mr. BUTLER. No. The offers do not come from manufacturers.

The CHAIRMAN. The brokers must have somebody to deal with before they make their offer.

Mr. BUTLER. That is right.

The CHAIRMAN. It might be manufacturers; it might be people in your own business for all we know. Is that true? It is possible?

Mr. BUTLER. It is somewhat possible; highly improbable in our own business.

The CHAIRMAN. You say there are other businesses.

Mr. BUTLER. The reason I suggest that is that of the offers we have had, the location of the steel offered indicates at least to me it is not too possible for it to come from farm equipment plants.

Senator HICKENLOOPER. Mr. Chairman, I happen to know something about some of the experiences that Mr. Butler had because he comes from my home State and his company is there. It is a very fine company.

Inasmuch as this has already been given publicity some months ago, Mr. Butler, I think it would be interesting if you would recite for the chairman and for the record that one experience about the carload of special steel, that is specially cut steel, which was ordered by your company and where the car-shipment numbers were even allocated to you and it was later canceled and later turned up in the hands of a broker, this particular carload of steel, at a very fancy price.

Mr. BUTLER. I will be glad to recite it if it will help any. I purposely wanted to refrain from referring to any of my own company's situations because this is an over-all picture and I do not want to give the impression I am trying to fight a one-sided battle.

The situation, as it exists with our company, however, can be repeated 100 times or more in our industry; I can assure you of that and can get you the facts to prove it.

The story to which Senator Hickenlooper refers occurs in the last 6 months of 1950, before CMP allocations were present. Our company placed with a steel mill, well in advance of the season, orders for several carloads of galvanized-steel sheets. We use them as do most manufacturers in our own special size and those sizes are not normally available on the open market or at warehouse levels.

The shipment that was supposed to come in in May 1950 was postponed until July.

The CHAIRMAN. Postponed by whom?

Mr. BUTLER. By the steel mill, and that was not bad. But the June shipment was finally set up for an August shipping date, and a car number into which that steel was to be loaded was sent to our company. The shipping date came and went, and no steel.

When we inquired of the steel company what had happened to our shipment, they said, "You know, that is a funny thing. We cannot find

it. It is lost. It is very confusing. I am going to the mill and see what I can find out."

A week later the man with whom we talked returned from the mill and said, "I cannot tell you any more than when I went. Your steel just seems to have disappeared." That seemed a little peculiar to me because I still think I would know more than that about my own business.

The CHAIRMAN. The car was actually shipped?

Mr. BUTLER. No, sir; it was not shipped directly to us.

The CHAIRMAN. I mean was the car of steel that was intended for you finally shipped to you?

Mr. BUTLER. Eventually we got it. However, our order was within the next 10 days canceled by the steel mill and we were told that the steel was unavailable. It had been lost or something else, but at any rate, it was unavailable and we not only were not going to get it on time; we were never going to get it. Our succeeding carload orders were also canceled.

As I say, we use a special sheet size that is not normally available.

The CHAIRMAN. Had you been dealing with this company for a long time?

Mr. BUTLER. Not too long a time, but we had 1 or 2 years of history with them.

The CHAIRMAN. Is it a new company, a large company?

Mr. BUTLER. It is not a large steel mill.

The CHAIRMAN. Would you mind giving the name of the company?

Senator HICKENLOOPER. Mr. Chairman, I brought this matter up. I suggest it might be embarrassing at the moment for him to give the name of the company. I suppose he has given it to the proper authorities.

The CHAIRMAN. If that is his feeling, all right.

Senator HICKENLOOPER. Then I will withdraw the request. It was only an illustration of what they are up against. If I may, Mr. Butler, I will merely continue, if these facts are correct. A few weeks later, a broker who this company, I understand, had never heard of called up and offered this same carload of steel with the same car numbers at about twice the price of the mill price, and eventually Mr. Butler's company had to pay more than twice the price in order to get the needed steel.

I think his information has been given to the Department over here.

The CHAIRMAN. Not that I wanted to embarrass you or anybody else, but did you give to the Department the name of this company?

Mr. BUTLER. I did.

The CHAIRMAN. All right, that is what I wanted to know.

Senator HICKENLOOPER. It has been put in the proper channels, and to make it public here at the moment would be difficult.

The CHAIRMAN. I understand. I did not know that, Senator. Otherwise I would not have asked the question.

Mr. BUTLER. I tell that again, Mr. Chairman, only as a representative example of what is happening in the industry.

The CHAIRMAN. In that case, of course, the steel company would be the one to blame.

Mr. BUTLER. To my innocent and somewhat ignorant mind, it would appear so.

The CHAIRMAN. Yes, no doubt.

Mr. BUTLER. How many hands it went through before it got to the steel broker, I am unable to say. But we got the same shipment of steel, shipped from the same mill with the mill's name printed on the bill of lading.

The CHAIRMAN. What would you think of a law forcing steel mills to put their brand on steel that they sell?

Mr. BUTLER. I think that would be a very effective measure for stamping out the black market because then the steel companies would be in a position to receive information with which to effectively carry out their professed desire to stamp out the black market. I have no reason to doubt their desire except that it is not being done.

The CHAIRMAN. They talk a lot, some of them, and then do not act according to the way they talk.

Mr. BUTLER. That I do not know. All I know is that the black market still exists; you can still buy almost unlimited quantities of most any type of steel at—well, it has come down recently; now it is only about 2½ times mill price. It has been in this last 6-month period as high as five times mill price.

The CHAIRMAN. Is your association making every effort it can in order to expose these black marketeers to the defense agencies here?

Mr. BUTLER. Yes, sir; we are submitting photostatic copies of the originals of offers, and invoices or shipping notices of any purchases or offers of black-market steel, so that they can be followed.

The horrible thing about it at the moment, Senator, however, is that when you come right down to it, the steel brokers are fully within the law. There is no regulation or law that says they cannot do this sort of thing.

The Office of Price Stabilization has been working for some time and has promised us two or three times to issue an order limiting the amount of dollar and cent mark-up above mill price that can be put on steel. The order has not been forthcoming, however. We felt that the order might have some teeth with which to stamp out the black market.

But at the moment he who has steel can legally, if he has no morals, offer it for any price he so desires. And if there is somebody so foolish or so desperate as to buy it, a sale is made and it is perfectly legal.

The CHAIRMAN. Any further questions?

Senator HICKENLOOPER. No.

The CHAIRMAN. Thank you very much, Mr. Butler.

Mr. BUTLER. I might say, Mr. Chairman, I have here a number of telegrams that I received in answer to my survey which substantiate the testimony I have offered you in regard to the inability of our industry to place even the reduced allotments. I would like to have them entered in the record.

The CHAIRMAN. We shall file them for the record; and I am going to ask the clerk to take a few of the telegrams that reflect that condition and maybe we will print all of them, if they are all different.

Mr. BUTLER. I offer them only as substantiation of the story I have told you so you will not think I have hatched it up out of my own mind.

(The sample telegrams are as follows:)

SEPTEMBER 18, 1951.

W. E. BUTLER,
Care of Galloway Co., Inc., Waterloo, Iowa:

Retel: We have been able place 46 percent of our fourth quarter CMP allotment. Balance refused because mill schedules were full.

COMFORT EQUIPMENT CO.,
R. D. MCCARTHY.

ALLEGAN, MICH., *September 18, 1951.*

W. E. BUTLER,
Galloway Co., Inc., Waterloo, Iowa:

Retel: To date we know that we have lost over 400 tons forging bars due to 5 VX priority rating granted the consumer durable goods manufacturers. May have lost more steel but haven't been advised as yet. Feel this 5 VX priority rating will seriously affect us not only for the third quarter but also for the fourth quarter.

Regards,

BLOOD BROS. MACHINE CO.,
G. R. WILBER.

NORTHFILED, MINN., *September 18, 1951.*

W. E. BUTLER,
President, Care of Galloway Co., Inc.,
Waterloo, Iowa:

Retel: Have been turned down 100 percent on all grader and terracer steel. Tried corporations, Inland, Republic, Bethlehem. One hundred and forty-two tons in all. Reason, full for fourth quarter. Thanks for any help.

NORTHFIELD IRON CO.

SEPTEMBER 18, 1951.

Mr. W. E. BUTLER,
President, Allied Farm Equipment Manufacturers Association,
Waterloo, Iowa:

Retel 18th. Mills accepted 60 percent fourth quarter CMP allotment, refused 40 percent, stating they were completely filled. More important is the attitude of Inland and United States Steel concerning 1952 allowtments. Inland regardless of CMP has placed us on an allocation amounting to 20 percent of first quarter allotment although they have been our constant suppliers for 12 years. United States Steel has returned our orders stating they will advise us later of amount allotted if any. Apparently CMP is disregarded completely by steel mills.

STEBER MANUFACTURING CO.,
C. L. STEBER, *President.*

SEPTEMBER 19, 1951.

W. E. BUTLER,
Galloway Co., Inc., Waterloo, Iowa:

Retel: Have been able to place only 40 percent of fourth quarter CMP allotment. Orders were placed immediately after allotment received. Mill orders were refused saying that fourth quarter schedules were completely filled. Orders placed for first quarter 1952 have also been refused.

THE BRUNING CO.,
A. W. KELLE.

The CHAIRMAN. Mr. Triggs.

STATEMENT OF MATT TRIGGS, ASSISTANT DIRECTOR, WASHINGTON OFFICE, AMERICAN FARM BUREAU FEDERATION, WASHINGTON, D. C.

Mr. TRIGGS. Increased production of food and fiber is an integral and essential part of our total mobilization effort. The general interest necessitates farm production, not only to fill expanded foreign and domestic requirements, but in sufficient amounts to provide for an annual increment in our population, expanded industrial use of farm commodities, and in sufficient abundance to mitigate inflationary pressures.

This increased production most come from a constant acreage of land and must be produced by a rapidly declining farm population.

The relationship between current production and current demand of farm commodities is delicately balanced. For example, the Bureau of Agricultural Economics, in a recent analysis of the feed situation, states that:

> While feed supplies appear adequate to permit further expansion in production (of livestock), such expansion probably will make it necessary to draw on our reserve feed grain stocks and to further reduce carry-over stocks by the end of the 1951–52 season.

(This, despite a generally favorable crop year in 1951.)

Agriculture cannot be satisfied to merely maintain its present agricultural plant—to maintain present levels of efficiency. It is imperative that the agricultural plant be expanded, that efficiency per acre and per man be pushed up another notch each year.

This is a time to accelerate, rather than to slow down, the technological development in agriculture.

Increased quantities of farm machinery are just as essential to increased agricultural production as increased numbers of trucks and railroad cars are to handle expanded transportation needs. In both cases there is a continuous depreciation which must be offset by a constant flow of new equipment. Farm machinery is the "machine tools" of agriculture.

Those not closely associated with agriculture and with the modern-day dependence of farmers on machinery may not always have a full appreciation of these relationships.

In the many contacts which our staff has had in recent months with personnel of the defense agencies, we get the general reaction that many of those in such agencies are somewhat inclined to consider that farm machinery production can be reduced temporarily without harmful effect upon agricultural production. We hasten to add that there are numerous exceptions to this general statement.

The reduction in the allocation of steel for farm machinery production from 673,000 tons in the third quarter to 578,000 tons in the fourth quarter may perhaps have been influenced by such considerations. We are not disposed to be too critical of the defense agencies in this connection without more knowledge than we have with respect to the relationships between demand and allocations for other essential purposes.

However, if the fourth quarter pattern of steel allocations is indicative of allocations in succeeding quarters, then the question becomes one of major concern. In this event the appearance of some critical

shortage situation in the summer and fall of 1952 may apparently be anticipated. Each such shortage will adversely affect the efficiency and productiveness of agriculture.

In view of the current delicate balance between production and requirements of farm commodities, the declining labor force in agriculture, and the significance of abundant farm production as an anti-inflationary influence, it would appear that in the interest of expanding production of many other products, we may be endangering the production of food and fiber, equally important to the mobilization effort.

The CHAIRMAN. Thank you, Mr. Triggs. Are there any questions?

Senator HICKENLOOPER. No questions.

The CHAIRMAN. Thank you, sir. Mr. Wiman, would you prefer being heard tomorrow?

Mr. WIMAN. I would rather wait until tomorrow, if it is perfectly all right with you.

The CHAIRMAN. That will be quite all right. We will hear you tomorrow. The committee will stand in recess until tomorrow at 10 o'clock.

(Whereupon, at 12:35 p. m., the committee adjourned until Wednesday morning, 10 a. m., September 26, 1951.)

(Telegrams filed by the Hon. Edward J. Thye, United States Senator from the State of Minnesota, are as follows:)

NORTHFIELD, MINN., *September 22, 1951.*

Senator ED. THYE,
Senate Office Building:

We are counting on your help to prevent material allocation decreases so that farm machinery will be available in quantities to meet the needs of the farmer. Inventories in the hands of implement dealers in this area are not excessive contrary to the articles such as recently appeared in the Wall Street Journal.

CASPER & KRECKOW IMPLEMENT CO.

LONG PRAIRIE, MINN., *September 22, 1951.*

Hon. Senator ED. THYE,
Washington, D. C.:

I have been a farm-equipment dealer in Long Prairie for the past 27 years. For 10 years farm machinery has been continuously in short supply. As my understanding we are to get a further drastic cut in farm machinery for our territory in the coming year because the Government would not allocate enough steel to the manufacturer, wish to urge that you get Mr. Wilson to allocate more steel to the farm-equipment manufacturers.

EVERETT N. LUX.

HAWLEY, MINN., *September 21, 1951.*

Hon. EDWARD THYE,
Senate Office Building, Washington, D. C.:

I have been a farm-equipment dealer for 14 years. The supply has been short for the last 10 years. The supply is still short and if reduced to any great extent for the next year, it will be serious for the farmers. Modern farm equipment is becoming more necessary each year because of the increasing shortages in supply of farm laborers. I urge you to use all your influence with Mr. Wilson to allocate more material for essential industries such as ours and less for nonessential industries.

Respectively,

S. A. TORGERSON.

WORTHINGTON, MINN., *September 21, 1951.*

Hon. E. J. THYE,
Senate Office Building, Washington, D. C.:

Watch steel allocations so that farm-implement industry will not be seriously curtailed.

WORTHINGTON IMPLEMENT CO.

ST. PAUL, MINN., *September 21, 1951.*

Hon. EDWARD THYE,
Senate Office Building, Washington, D. C.:

Agricultural-implement manufacturers' supply of steel must be maintained at sufficiently high levels to permit manufacture of implements and parts to meet demands of agriculture or else we will again have the disastrous shortage of implements and parts we did in 1943. Are you familiar with the situation?

W. S. MOSCRIP,
President, Minnesota Dairy Industry Committee.

FERGUS FALLS, MINN., *September 21, 1951.*

Senator EDWARD J. THYE,
Senate Chamber, Washington, D. C.:

Please vote against cut of steel to manufacturers of farm equipment. Contrary to press information, there is no overstock of farm equipment in our territory. Make cut on nonessential items.

E. J. WINDMILLER.

FERTILIZER—FARM MACHINERY—PESTICIDES

WEDNESDAY, SEPTEMBER 26, 1951

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10:10 a. m., in room 324, Senate Office Building, Senator Olin D. Johnston presiding.

Present: Senators Ellender (chairman), Johnston, Eastland, Aiken, Young, and Hickenlooper.

Senator JOHNSTON. The committee will come to order. Mr. Wiman.

STATEMENTS OF C. D. WIMAN, PRESIDENT, AND H. L. BOYLE, VICE PRESIDENT, DEERE & CO., MOLINE, ILL.; AND MARVIN M. SCHMIDT, VICE PRESIDENT, DEERE MANUFACTURING CO., DES MOINES, IOWA

Mr. WIMAN. I am C. D. Wiman, president of Deere & Co., Moline, Ill., and this is Mr. H. L. Boyle, vice president in charge of purchases in Deere & Co., Moline, Ill.

Senator JOHNSTON. Do you have a written statement?

Mr. WIMAN. It is very short, sir, and it is in note form.

Senator JOHNSTON. Proceed in any way you see fit.

Mr. WIMAN. Mr. Chairman, I have deliberately not prepared a statement to present to you gentlemen for what I think to be three cogent reasons.

First, there has been very little time to prepare such a statement; since some of the facts have just been developed by our company in the last week and there has not been time to prepare a formal statement.

Second, in yesterday's testimony before this committee, the general subject of the essentiality of the farm machinery program for 1952—and I might say for subsequent years as well, as long as the present emergency exists—was set forth in two very excellent statements of fact that were made on this subject by the United States Department of Agriculture, Mr. Geissler, and the smaller manufacturers' statement by Mr. Butler of the Gallaway Co. of Waterloo.

Third, I may be wrong, but I do believe talking on this subject would be more effective and possibly more provocative of questions from the Senators and the chairman of this committee. The importance and timeliness of the investigation cannot be overemphasized in the hope for results in obtaining proper implement production in order that necessary food and fiber goals set by the American farmer may be reached in 1952.

Therefore, with your permission, Mr. Chairman, I will simply talk from notes that I have made in regard to these matters.

I hope that at any time the Senators of the committee will feel perfectly at liberty to stop me with questions which I will try to answer as best I can.

Now, Mr. Chairman, one of the great questions in this whole subject of the production of implements has seemed to center around the dealer inventories, and statements are made that the dealer inventories are excessive. There are articles appearing in various newspapers about it. Our company went to considerable expense and to a great deal of trouble to prepare an up-to-the-minute dealer inventory which I would like to present to you for your consideration.

Senator JOHNSTON. I think that would be enlightening to the committee and to the general public.

Mr. WIMAN. I am not going to read all these figures, for they are really confidential figures, and any one of our competitors would love to get these, and I would love to get theirs, too. However, I have certain conclusions drawn percentagewise off this thing that I can explain to you.

Senator JOHNSTON. Now, you speak of competitors. Of course, your figures you might say could be weighed in the balance in proportion to what it is to the others.

Mr. WIMAN. That is right.

Senator JOHNSTON. Could you give us any information along that line?

Mr. WIMAN. Yes, sir; I can. The International Harvester Co. is the largest, and we are supposed to be the second largest. After that there is Case, Allis-Chalmers, Oliver, and Ford. Just exactly their ratings I do not know, because Ford does not publish an annual statement.

Senator JOHNSTON. You could give us some estimate of the backlog of machinery. That is the thing we want to know about.

Mr. WIMAN. I should explain to you then how this inventory was prepared.

All Deere & Co. territory managers were asked to devote full time to the task of completing a dealer inventory questionnaire. The territory managers took actual inventory of dealers' stocks. They sat down with each dealer individually and checked the orders for goods he had sold, but not yet delivered. We had the dealers give us to the best of their ability the demand for machines up to July 1, 1952, and the projected demand for the next Government year—that is to say, July 1952 to June 1953—which is in the last column of this report [indicating].

This report was not compiled by letter, but by actual contact with our territory managers and the dealers. The inventory is by actual count. The estimates represent the best judgment of each individual dealer as to the requirements in the future in his trade territory.

Senator JOHNSTON. Is it not true that you would probably have more surplus machinery on hand with your dealers at this particular time of the year than you probably would along about March or April?

Mr. WIMAN. Senator, you are exactly right, within certain categories. There would be more of the fall goods on hand—fall plows, for instance. There would be not so many corn planters because it is the end of the corn-planter season. Ours is, as you know, a very seasonal industry. Therefore, this inventory here is not our entire inventory but is an inventory of some 26 representative tools which

represent 73 percent by dollar volume of Deere & Co.'s dollar sales for the year of whole goods, so it is a pretty good cross section of what that inventory is.

Now, then, the branch houses made a recapitulation of this questionnaire and sent it in to Deere & Co. where the individual branches were recapped into one combined report.

To arrive at the actual inventory figures—I will quote them to you and I am only going to quote one figure off this page. We deducted column five here. It is headed "Of this inventory how many are sold for future delivery?" From column four, which is our present inventory, we then figure what the present inventory was to the demand as shown in column six. "How many do you expect to sell prior to July 1, 1952?"

We took the present inventory and added to it the production schedule—that is, the goods in our production schedule from September 1, 1951, to June 30, 1952, as allowed under the allocation from the Government of 690,000 tons a quarter, which, as you know, has already been cut 100,000 tons by the Government for the fourth quarter.

They have only given us 578,000 tons. That was brought out yesterday. Therefore, with that explanation I believe, sir, that I can go to the inventory figures themselves.

I spoke of the fact that there are 25 tools involved. There are 4,000 dealers and we saw 3,950 or 3,960, a very complete inventory, and it is as of August 31, 1951, so it is right up to date.

Senator JOHNSTON. Have you ever made an inventory like this before?

Mr. WIMAN. No, sir.

Senator JOHNSTON. So you have nothing to compare it with?

Mr. WIMAN. We have something to compare it with because when we got this inventory from the dealers we asked them for their last year's inventory, September 31, 1950; this year's inventory, September 1, 1951; and their estimated inventory as of next June. It is important to get their estimated inventory. It includes what they have on hand plus our production schedules as allowed by the Government, minus what they think they are going to sell. That gives their estimated inventories as of July 1, 1952.

Now, I want to say that we are perfectly astonished ourselves with these figures. We did not know that they were going to show as fine a picture as they are showing, and they back up the USDA's estimates of Mr. Geissler and of Mr. Butler in their statements of yesterday to an extraordinary extent.

There are two bad tools in here but we will bring that out when we come to them.

Senator JOHNSTON. May I introduce Senators Eastland and Aiken?

Mr. WIMAN. How do you do, gentlemen.

Our tractors are as follows: A tractors, 37 horsepower; B tractors, 27 horsepower; R tractors (Diesel), 48 horsepower; an M tractor, 21 horsepower; an MT tricycle tractor, 21 horsepower; and an MC crawler tractor of 21 horsepower.

Senator Eastland, we are trying to prove here that there is not an excessive dealer inventory. As I say, we took it not by mail, but by actual count, and the results we felt important enough for you gentlemen to know about in speaking with the Government people.

For implements we had plows, moldboard; plows, disk; disk harrows; grain drills; corn and cotton planters; manure spreaders; tractor cultivators; No. 12–A 6-foot combines; No. 55 12-foot self-propelled combine; No. 65 12-foot drawn combines; Nos. 100 and 101 corn pickers, single row; No. 200 corn picker, which is drawn, two-row; No. 226 corn picker, mounted, two-row; field and forage harvesters; mowers; automatic hay balers, wire tie; portable elevators, grain and/or hay; and trailer gears.

We think that is a very representative list.

I might say parenthetically that this dealer inventory is so interesting to us that I am not sure we will not continue to do this every year in the future.

Now, the inventory last year on these A tractors, 3,200; this year, 4,000. The estimated inventory next year on A tractors has proved what I have explained to you. It is zero.

Senator AIKEN. Now, this inventory includes those in the dealers' hands too?

Mr. WIMAN. Yes. For next year we say it is the dealer inventory plus our production schedule allowed by the Government, minus what they think they can sell. That would be the estimated dealer inventory. The A tractor's next year estimated inventory on this basis will be zero. The same is true on the B tractor whose estimated inventory next July 1 is zero.

Senator EASTLAND. That will hurt the little fellow; will it not?

Mr. WIMAN. The R tractor's estimated inventory for next year is zero. For last year the inventory figure was 677; this year it is 480; next year, nothing, or zero.

If I may, I will later come to some conclusions for you in this matter.

M tractors, 284 estimated inventory next year, which is far too low. The figures last year were 2,700; this year 2,100, and next year 284. We certainly have not had an excess of those or will not have. That is on June 30, 1952.

The MT tractors, 2,700 next year; the figures last year were 4,700; this year 3,700, and next year 2,700. This figure is, you see a little lower.

A crawler tractor, an MC, a little one, last year 1,000 inventory; this year 460; next year 365 estimated.

Plows moldboard. Now here is one that if we were unfair we would take this thing out and never give it to you. The inventory on this tool is too big. I will explain what we will do about it.

Senator EASTLAND. What is that now?

Mr. WIMAN. Plows, moldboard plows. It was 20,840 last year; this year, 33,225; estimated inventory next year, 39,373. That is too high but what will we do about that, knowing these facts? We will take that steel and convert it to cotton pickers, cotton strippers, combines or tractors, or something else on which we are so desperately short.

Senator JOHNSTON. I can see why you say this inventory may be so helpful to you that you may do it in the future.

Mr. WIMAN. Yes, sir. I personally did not feel I could come down here and argue properly and present our case properly when you had these rumors as put out in the Wall Street Journal and in various places that there were too many implements in the hands of dealers.

If we can nail to the cross this dealer inventory proposition, then we really can say, "This is so" and "So-and-so is true," and "If you want the food and fiber goals that the USDA wants, so much more steel and other critical materials should we have." I think they are quite valuable figures. We felt that so much that we flew them down by special plane in order to get them here for your information.

To resume: Plows, disk. Next year, 2,036. The two other figures are, last year, 3,100; today, 3,100.

Now, Senator Johnston, I know it is pretty hard and very difficult for you gentlemen to pick this up in a short presentation like this. I would be perfectly willing to turn these figures over to any one of you gentlemen to treat in confidence and study them or they could be made available to your committee economist in confidence.

Senator JOHNSTON. The witness stated in the beginning he would not want all these figures in the breakdown to be turned over to a competitor and he did not think it would be wise for him to get the competitor's figures.

Mr. WIMAN. If you want to check the authenticity of these statements I will be glad to turn this over to you in confidence.

Senator AIKEN. To what extent have you converted to war contracts?

Mr. WIMAN. We are making plane parts, tank parts, and shells. However, that is a separate subject and if the Senator would permit I would like to cover that when we come to it.

Senator AIKEN. I was just wondering about your allocations for those purposes, and deliveries.

Mr. WIMAN. These are all right. There is no trouble about getting war steel. If it is steel for direct war use, that is just essential, necessary, and proper—nobody I know of would question the rightness of that. That applies to truck transmissions that we are making on subcontracts for the Army. I have a lesson to draw from that a little later and if the Senator will permit, I will be glad to come back to that.

Senator AIKEN. Where are your plants?

Mr. WIMAN. We have 16 plants. Syracuse, N. Y.; Welland, Canada; Horicon, Wis.; six in Moline and East Moline, Ill.; four in Iowa at Waterloo, Des Moines, Ottumwa, and Dubuque; one in Yakima, Wash.; one in Los Angeles, Calif.; one in Hoopeston, Ill.

Senator AIKEN. Do you convert an entire plant to war contracts?

Mr. WIMAN. If you wish me to, I will talk about that now.

Senator AIKEN. I would like to hear about it.

Mr. WIMAN. Very well. During the Second World War we converted very substantially to direct war production. Our implement and tractor production was cut down to 14 percent of 1940 production. The whole industry went down to 23 percent of 1940, but the big implement companies went down to 14 percent of 1940 so there was nothing else to do but convert to direct war production. Besides that, the Senator should understand there was a very strong patriotic urge to convert when we were fighting the Japs and Germans as we were then.

From 1941 we went from zero percent of direct war production up to $146 million annual production of war goods by the end of the year 1943. We converted malleable foundries into steel-casting foundries;

90402—51——15

harvester production lines into building airplane parts; and the wings for Grumann and Curtis-Wright airplanes and all that sort of thing. We made nacelles for the Douglass C–54 war plane, likewise elevators, stabilizers, and rudders for the A–26 Army fighter plane.

So far in this present cold war we took a certain amount of war business where it would not interfere with implement production, having, we thought, received assurances from the Government that implements were vital and therefore we should not cut into our implement production.

We are building three new buildings at our own expense in which to do that war work.

Senator AIKEN. That was the next question I was going to ask you, if you are building new plants.

Mr. WIMAN. Yes, in a modest way, sir, so as to preserve factory capacity for implement and tractor production. This we did not do in 1942 and 1943. We discovered our reconversion back to implement production in 1944 was a very difficult task under the press of war, and, mark you, gentlemen, if we get further cut-backs in steel for implement production, we are going to convert to war business and then you will have trouble getting implements. You see that, do you not, Senator Johnston?

Senator JOHNSTON. Yes.

Mr. WIMAN. Shall I proceed?

Senator JOHNSTON. Yes.

Mr. WIMAN. Disc plows, inventory 2,000 this year against 3,100 last year, 2,000 next year.

Disc harrows, estimated dealer inventory, 14,000 next year against 11,000 last year and 21,000 this year.

Grain drill inventories are too low. Estimated 4,200 next year against 6,800 last year, and 8,500 this year, and incidentally the fall season of planting grain is just starting as of August 31, i. e., putting in all your winter wheat crop.

In regard to corn and cotton planters, the Senator might be interested in this: Inventory at the end of June next year, zero. The inventory was 11,000 last year, 12,000 this year.

Manure spreaders—and this really surprised us because we always thought of these as a luxury item on the farm. Manure spreaders, estimated 488 next year against 8,900 last year, and 6,500 this year. They are mostly two-wheel, tractor-drawn, but we do make a four-wheel model in steel. In trying to conserve steel we went back and made some wooden manure spreaders because steel was so hard to get.

Tractor cultivators, inventory low; 11,900 against 22,000 last year and 12,000 this year.

No. 12–A combines, estimated inventory for 1952 is zero. The inventory being 2,100 last year and 3,600 this year.

No. 55 combines, self-propelled, inventory next year, zero. Inventory last year being 144 and this year 126. We have been desperately short of those ever since we started to make them.

The No. 65 combine. That is a brand new machine. Next year's estimated inventory is zero. The figures are of great importance because we only had 50 last year and 40 the other year. That is a 12-foot drawn combine and used in the more extensive grain areas of the West.

The ones that concern Senator Eastland and his territory are the No. 35 and the No. 12–A.

The corn pickers, No. 100 and No. 101 one-row, far too low. Figures for next year 501, mark you, just at the beginning of the corn-planting season. This year 5,300—last year 3,500.

Two hundred corn pickers. This is a two-row drawn machine; next year's estimated inventory, 2,500. This is rather high and we may convert steel although it is just at beginning of the planting season. The inventory being last year 2,300 and this year 1,300.

The No. 226 corn picker, which is a mounted machine that goes on a tractor, too low. It is 871 against 1,100 last year and 1,700 this year.

Senator AIKEN. You mentioned two or three items that you are going to be a little high on next year. Why are you high? If there are too many, why do you make them?

Mr. WIMAN. We are not going to. I explained that before you came in. We will take the steel that is allocated to us and convert most of it to these machines whose indicated inventories next year are zero. But, Senator, it is hardly enough steel to "put in your eye." The steel for 10,000 plows would be a few hundred tons of steel.

Field and forage harvesters, next year's estimated inventory is zero against 1,700 last year and 2,500 this year.

Mowers, next year zero. Mowers are very important tools, as you know. Against inventory last year of 9,500 and inventory this year of 10,000.

Side delivery rakes, next year zero against 3,900 last year and 4,900 this year.

Balers, hay balers, wire tie, next year's estimated inventory zero against 900 last year and 900 this year.

Portable elevators, 1,700 last year and 2,900 for this year and next year is zero.

Trailer gears anticipated inventory about normal. The figures are 8,000 next year versus 9,900 last year and 10,000 this year.

I think those figures do indicate several things.

Any error in judgment of one dealer in estimating his territory demand either too high or too low should in the long run be canceled out by an opposite estimate of another dealer, in such a large sample.

If it was only 2 or say 10 dealers, you might say they are all optimists or all pessimists, but not when you have that many. It ought to be just about right.

Senator JOHNSTON. Just for the information of the other two Senators, before you came in the witness brought out he was the second largest manufacturer in the United States.

Mr. WIMAN. Yes, sir.

Senator EASTLAND. I would guess in the world.

Mr. WIMAN. Well, I suppose so. In this testimony I am working against time. I am very time conscious. I assure you I will be through here in about 15 minutes.

As I say, when we took the above-mentioned dealers' inventory, our company had no idea where the results would lead to. The results, I think, bear out absolutely the statement of Messrs. Geissler and Butler to this committee as of yesterday; namely, that our dealers have not on hand inventories that are too high.

Now, gentlemen, the obvious conclusions to be drawn from this survey are these:

First, the 4,000 dealers cannot possibly bring their inventory down to a zero.

Second, it follows that with the production allowed by the DPA and the NPA allotted to the farm-implement industry of 688,000 tons of steel per quarter for the Government year that we are now in, from the 1st of July this year to the 30th of June next year, there will be lost to the potential farmer users of these tools just such tools as are carried over in the dealers' inventory. That is perfectly obvious. Therefore, by that amount will you impair making the food and fiber goals of the USDA.

Now, I believe I read into the record that the machines covered by this survey represents 73 percent of Deere & Co.' s volume in dollars in whole goods, and the survey covers 98 percent of our United States dealers and we have 4,000 dealers in the United States.

Now, gentlemen, I come to what I think is the most important part of the remarks I am trying to make to you, and that is timing. The timing is awfully important in this matter. Now is the time for decision. You heard yesterday from Mr. Stambaugh and Mr. Geissler that October 15 is the time of decision for the first quarter of the next calendar year.

Now, DPA is the "villain of the piece." If this Senate committee should arrive at a decision that something should be done in this matter, it should be done now through getting appropriate action from DPA Requirements Committee—and they are coming before you tomorrow—and its Director, Mr. Manly Fleischmann.

I would like to digress for a second and tell a story of 1946. During the war, Senator, I wore three hats. First I was a manufacturer. Then I went into the Army and became Deputy Chief of Tank Production at the rank of colonel in the office of the Chief of Ordnance and saw there very intimately the ordnance production picture. I was there until 1944, at which time Donald Nelson came over to General Campbell and asked for my release from the Ordnance Department to come over and run the Farm Implement Branch of the War Production Board.

Therefore, I saw it from the outside as a civilian and from the inside as an Army officer, and later on as a servant of Government, a dollar-a-year-man under Donald Nelson, Charlie Wilson, and Bill Frank in the War Production Board.

That is why I make this statement.

Yesterday the Senators were talking, quite properly I believe, and quite seriously, to Mr. Geissler about his getting busy and doing something about it.

Gentlemen, he cannot do anything about it. They have gone just as far and fought just as hard as they can before that DPA Requirements Committee. The only relief is here on the Hill, the Senate Agriculture Committee or the House Agriculture Committee.

As stated above, I believe that the USDA figures and the statements of Secretary Brannan, Mr. Geissler, and others on this subject are that the need of 115 to 120 percent of the 1949 production in 1952 is, if anything, very conservative.

The Senate Committee on Agriculture and Forestry and the Committee on Agriculture of the House of Representatives are the farmers' best—and, I might say, last—hope to correct this situation.

I started to explain a bit about the three hats I wore in the last war and that is why I am so concerned with this matter because I can see so clearly what is starting to happen. It happened in 1942 and it will happen again. If production of implements and tractors continues to go down, our company will be going into the direct war business if we can.

Senator JOHNSTON. You are just calling to our attention at this time the fact that we should profit by our past mistakes.

Mr. WIMAN. Yes, Senator; exactly.

Senator AIKEN. Is there a similarity in the make-up of the DPA and the War Production Board in World War II?

Mr. WIMAN. Yes; but you have to put NPA and DPA together and you have WPB. There you have a requirements committee—a big body, with committee members from the Army, Navy, and maybe Marine Corps and Air, as well as all the other claimant agencies, such as the Department of Agriculture. We have no direct quarrel with direct defense. I will bring out some points later on direct defense. I do not believe personally that they are using as much steel now as they used in the last world war.

Senator JOHNSTON. I feel as you do with regard to the matter—that we must have these implements in order to produce enough food to feed and carry on the services.

Senator EASTLAND. What is your estimate of the number of tons of steel that it would take?

Mr. WIMAN. That has often been read into the record and I would be glad to repeat it.

Senator EASTLAND. I was not here and did not hear it.

Mr. WIMAN. It is 688,000 tons a quarter of carbon steel and other critical materials to go with it for the farm tractor and implement industry.

Senator AIKEN. That is for which quarter?

Mr. WIMAN. That is for every quarter, and it is about 3 percent of the steel production of the United States, which is about 103 million tons.

Senator AIKEN. Is that for four quarters?

Mr. WIMAN. That is for each Government quarter. Times 4, it is about 2.7 million.

Senator EASTLAND. Colonel, how many tons were allotted?

Mr. WIMAN. They were about 670,000 or 675,000 tons. For the fourth quarter, at first, they had cut us down to 528,000 tons. Later this was raised to 578,000 tons of steel. I am going to read that into the record. I have a table on that which will be given to little later.

Senator AIKEN. Is there any one quarter where you would use one—is it a uniform operation?

Mr. WIMAN. It is a uniform operation to produce implements like this. You may make corn planters in 6 months and then where those corn planter facilities were used you may be making grain drills, but there will be constant use of steel and our company needs 30,000 tons a month; is that not it?

Mr. BOYLE. Yes. In the third quarter I think we got around 90 percent of our requirements, Senator. It was in the fourth quarter that we started getting cut back. Our industry was first cut back about 160,000 tons of steel and then 50,000 were restored so it was a cut something in the neighborhood of 110,000 tons of steel.

Senator AIKEN. You say 90 percent of your requirements. You mean you got 90 percent of the steel allocated, or was the allocation 90 percent of what you needed?

Mr. WIMAN. I think I can make that clear. The 688,000 tons plus 15 percent is what is needed to produce this 115 percent of whole goods and 120 percent of repair goods, of which Mr. Geissler spoke yesterday.

Senator AIKEN. That is exclusive of new plants?

Mr. WIMAN. That is production steel, sir.

Senator AIKEN. And that 50,000; that is allocated to the Secretary of Agriculture?

Mr. WIMAN. That is right, but this is the amount that as a claimant agency they (the USDA) asked for. They got about 670,000; about 90 percent of that.

Senator AIKEN. You did pretty well.

Mr. WIMAN. We did not do badly in the first quarter of this Government year—July 11, 1951, to June 30, 1952. However, we thought we were a defense-supporting industry, only to find ourselves come up with 525,000 tons for the second quarter of the Government year, or a cut of 160,000 tons, which was restored by DPA to 578,000 tons, or, namely, we were short 110,000 tons of steel for the fourth quarter.

Senator AIKEN. And you get the steel from your regular suppliers?

Mr. WIMAN. Yes, sir.

Senator EASTLAND. What about copper?

Mr. WIMAN. Well, we will speak of copper and it is a very important question. I would like to address myself to that later and ask Mr. Boyle to answer. Is that all right witih the Senator?

Senator EASTLAND. Yes, sir.

Mr. WIMAN. There is another thing I would like to bring up here and that is the export situation. That has not been spoken of much before the Abernethy committee or, as far as I can make out, in this committee. Our demand for export is 2½ times in 1951 and 1952 the amount that we were able to ship for export in 1951. Deere & Co. holds to its historic pattern in the export field because it does believe that its most prime duty is to support the farmers of the United States and therefore our export is about 7 or 8 percent of the total, i. e., our historical pattern. That is exclusive of Canada. We consider Canada the same as the United States since we have plants over there.

Senator AIKEN. Do you export up-to-date machines or do you supply horse-drawn equipment?

Mr. WIMAN. No; it is the most modern equipment for export.

Senator AIKEN. And where do the exports go, all over the world?

Mr. WIMAN. I have a list of these countries. They do. To resume, thirdly, the idea back of President Truman's point 4 program, with which we are all familiar, applies here.

It has occurred to me in thinking over this testimony, are we not at war with communism? Is it not true that one of the best means of disseminating communism is human misery and lack of food?

I submit that a few hundred millions of dollars worth of farm equipment sold and shipped abroad might be worth more than a similar few hundred million dollars loaned to those countries because they want to buy the farm machines and they have the dollars to buy them with.

The Senator has asked for the countries. They are, from memory, Indonesia, India, Australia, New Zealand, Iran, Turkey, North Africa,

Spain, Finland, the Scandinavian countries, Brazil, Argentina, Chile, Peru, Venezuela, the Central American republics and most especially Mexico and most important of all, Canada.

Senator AIKEN. I talked to some of the people from the Asiatic countries and they say that the reason for their famines is that they simply cannot prepare the ground during the rainy season with the ancient equipment which they have. The Indians say they have to go over the ground 10 times with their wooden plows instead of once or twice as we would.

I agree with you that hunger is the principal ally of communism. It is the main ally.

Mr. WIMAN. I am not putting in a plea to this committee for steel to take care of our export demand, but I think as Members of the Senate of the United States and as rulers of our foreign policy it is something to be thought about.

Senator EASTLAND. Do you ship much equipment to New Zealand and Australia?

Mr. WIMAN. Not much, but some and we could ship more. Our total export abroad, outside of Canada, is less than 8 percent of our total sales. It is less than 8 percent. If our sales are 350 million, it is about $20 million we are sending abroad this year.

Senator AIKEN. How does that compare with the industry as a whole?

Mr. WIMAN. International Harvester would send a lot more than we do. They have plants abroad. You will have as a witness Mr. Mercer Lee, vice president of International and you can ask him that question. They are the big exporters. All of us export to a greater or lesser degree.

Senator AIKEN. Do you have any plants abroad?

Mr. WIMAN. We are starting one in Scotland. We just cleared it with the authorities in England, the Bank of England, the Board of Trade and so forth, and we are investing about $5 million in that plant over the next 3 or 4 years, and will produce a short line of tools.

Massey-Harris produces abroad, International produced abroad for 50 years. We are doing that, sir, so as to get inside of the sterling area. Steel will come from over there and it is not really germane to this inquiry.

Senator AIKEN. That is not an assembly plant?

Mr. WIMAN. No, sir; it will all be done there. I just thought that might be of interest to you. I am almost through with my testimony now.

Here is another statement that was made in a speech that I heard that I think is very interesting:

The use of steel in direct defense versus the increase in steel production since World War II:

(*a*) The statement said there were 26 million tons of steel used in direct military programs in 1942. I understand this was for all uses, the Army, Navy, and Air Corps.

(*b*) There were 26 million tons of steel in added production by the steel manufacturers since 1945.

Senator AIKEN. Until when?

Mr. WIMAN. To date. That statement was made by Mr. McCaffery, president of International Harvester. I asked him for the authority and he said a high steel executive gave him those figures.

Senator AIKEN. How much did you use for agricultural equipment in 1945?

Mr. WIMAN. We are using 2,700,000 tons of steel this year, and in 1945 I would not know.

Mr. BOYLE. Two million and five-hundred thousand or in that neighborhod.

Mr. WIMAN. As against 26 million reported increase in United States steel producing capacity.

Now, this being 26 million added production by the steel manufacturer since 1945, we are not in a shooting war. Where is that steel going to?

Senator AIKEN. That is what I asked Mr. Wilson.

Mr. WIMAN. You can ask any steel executive. I asked the chairman of the board of a very large steel company and he said he did not know.

Senator AIKEN. That is a big question. Where is it going?

Mr. WIMAN. Finally and most important, I think this is a comparison of the third and fourth steel allocations to five of the industry divisions of NPA as revealed by Defense Production Administration press releases dated July 6 and July 27. Let us look at them for a second.

Motor vehicles in the third quarter—and how important I submit are Cadillacs to winning the war—1,987,000 tons. For the fourth quarter, 3,464,000 tons, or an increase of 1,566,000.

Senator AIKEN. Included in that, however, is what you mentioned included in the 26 million tons?

Mr. WIMAN. No, sir; that is direct war usage in 1943 and also increased capacity since 1945. This is entirely apart. That is for pleasure vehicles, and I believe motortrucks. The motortrucks and motor cars and it has nothing to do with the war at all.

Senator AIKEN. I thought from reading the papers that the production had been cut to 60 or 65 percent.

Senator HICKENLOOPER. I think, Mr. Chairman, they cut out steel used in automatic clutches. That was the story I saw, that they were reducing the automobile steel allocation by cutting out the extra steel needed in automatic clutches. There was quite a story on it and it made quite a sensational report of cutting steel to the automobile industry, but I guess maybe they put more in the frames or something because the allocations I have known for some time have gone up for the fourth quarter.

Mr. WIMAN. Is that not something, gentlemen? And we are putting into the record the press releases from which this was taken.

(The press releases referred to are as follows:)

THIRD QUARTER PROGRAM LEVELS

[For immediate release, Friday, July 6, 1951]

Program levels governing the use of copper, steel, and aluminum for production in the third quarter of 1951 were made public today by the Defense Production Administration's Office of Programs and Requirements.

The program determinations were made by the DPA for use by the National Production Authority and other delegate agencies in making individual allocations of the three controlled metals under the controlled materials plan.

Individual third-quarter allotments to producers under these programs now have been virtually completed. DPA is summarizing and analyzing fourth quarter requirements and supply data preparatory to making fourth quarter allotments.

Total unrestricted demand for copper, steel, and aluminum for the third quarter is about 35 percent in excess of the supply, DPA said. In order to balance the demand with the supply, it was necessary to review the needs of military, defense-supporting and civilian programs and to establish authorized levels of procurement for all consumption of the controlled metals.

Production of copper and copper-base alloys is expected to total about 1,114,000,000 pounds in the third quarter; steel, 20,825,000 tons, and aluminum 598,000,000 pounds.

In dividing up these available supplies, military and certain other programs under security restrictions were given first consideration. However, for the first time since DO priority ratings were issued last fall, the military is now operating under set quotas for the procurement of copper, steel, and aluminum.

Under CMP the military issues allotments, within the over-all quota restrictions, for the production of military equipment. After provisions are made for the military, the remaining supplies of copper, steel, and aluminum are considerably below requirements. To bring demand and supply into balance, DPA considered two related problems—maintenance of maximum levels of production of consumer durable goods, while at the same time giving the greatest possible impetus to the production of defense-supporting and other essential programs.

Nondefense consumption of controlled materials was reduced in general by limiting purchases to fixed proportions of "normal" usage. In the case of steel, manufacturers of consumer durable goods other than automobiles were limited to 70 percent of their quarterly rate of consumption during the first half of 1950. Consumers of aluminum were held, in general, to 50 percent of their nondefense consumption during the same period. The copper allowance was 60 percent. In the case of passenger automobiles, third-quarter production was limited to the materials required to produce approximately 1,200,000 units.

The attached table lists the amounts of copper, steel, and aluminum allotted for the more important programs in the third quarter by the DPA, excluding allotments to the Department of Defense and the Atomic Energy Commission:

Third quarter, 1951, program allotments of copper, steel, and aluminum

	Copper	Steel	Aluminum
	Pounds	*Tons*	*Pounds*
Estimated supply	1,114,000,000	20,825,000	598,000,000
Allotments to claimant agencies and miscellaneous:			
CAA and CAB (airports)	271,000	2,782	23,000
DEPA (construction)	77,000,000	300,000	38,000,000
DSFA (coke ovens)	624,000	22,635	
FSA (construction)	5,200,000	175,840	550,000
Maritime Administration	5,500,000	110,000	300,000
PAD	10,100,000	1,593,000	600,000
Federal Airways	200,000	285	13,000
Public roads	750,000	300,000	
Other construction	31,000,000	1,271,641	8,000,000
NPA industry divisions:			
Agricultural machinery	8,619,000	673,723	6,774,000
Aircraft (civilian)	500,000	13,000	4,228,000
Building materials	69,156,000	1,374,416	79,993,000
Chemicals	172,000		3,322,000
Communications equipment	53,670,000	67,700	2,618,000
Construction and mining machinery	7,721,000	763,500	2,375,000
Consumer durables	17,270,000	337,851	8,059,000
Containers and packaging	157,000	1,647,910	4,878,000
Electrical equipment	131,497,000	566,410	26,488,000
Electronics	24,360,000	52,500	13,200,000
Engines and turbines	12,720,000	621,350	3,271,000
General components	169,679,000	1,147,750	13,940,000
General industrial equipment	111,131,000	1,715,500	37,455,000
Leather	248,000	5,689	653,000
Lumber	47,000	29,981	254,000
Motion picture	1,862,000	8,909	2,810,000
Motor vehicles	122,214,000	1,897,601	64,301,000
Ordnance and shipbuilding	8,999,000	164,269	1,189,000
Railroad equipment	37,385,000	882,417	6,300,000
Rubber	4,568,000	24,246	312,000
Scientific and technical equipment	50,445,000	94,500	14,700,000
Service equipment	2,527,000	37,295	3,710,000
Mining	3,037,000	104,818	188,000

Fourth Quarter Allotments of Controlled Materials

[For immediate release, Friday, July 27, 1951]

Manly Fleischmann, Defense Production Administrator, today announced fourth quarter allotments of available steel, copper, and aluminum among defense, defense-supporting, and civilian production and construction programs.

In general, Mr. Fleischmann said, the distribution of all of the supplies of the three controlled materials among the various segments of the national economy for the fourth quarter is much the same as that for the current 3-month period.

In making the announcement Mr. Fleischmann stated that DPA's main responsibility in allotting the materials was to assure accomplishment of the military program and then to achieve a balance between the requirements of defense programs and nondefense production, which, he emphasized, also was necessary to maintain a strong economy.

He pointed out that within the next 12 months military hard goods deliveries are scheduled to rise from a monthly rate of about $1 billion to about three times that amount. During the same period aircraft deliveries are to be tripled and the tank-automotive program increased to four times the present rate of deliveries.

At the same time, Mr. Fleischmann said, materials are needed for the expansion of productive capacity and basic resources so that by late 1952 or early 1953 materials shortages may be materially reduced, if not eliminated, and the economy expanded so that it can carry the defense program and also permit normal levels of civilian production.

Mr. Fleischmann pointed out that even direct military goals of the defense program could not be achieved without a greater strain on the civilian economy in the next 2 years, if materials were not diverted now to the production and construction needed to increase over-all industrial capacity.

He also pointed out that although the military program would engage only an average of 20 percent of the Nation's economy, the total demands by defense and defense-supporting programs for the three basic materials—steel, copper, and aluminum—at this time are vastly higher than that average figure would indicate. A greater part of this demand is for the expansion of capacity, he said.

"In contemplating the effort which the emergency programs requires of all of us," Mr. Fleischmann said, "we should remember that the sacrifices involved are relatively small compared with those of an all-out war which we hope to prevent by increasing our strength. Even with our defense production program we will generally maintain a level of civilian production approximately equal to that of 1949—which certainly wasn't a year of hardship.

"Stated requirements for all types of steel, copper, and aluminum are far in excess of supplies," Mr. Fleischmann said. "The job of the Defense Production Administration is to review the needs of the rearmament, defense-supporting, and civilian programs, and to establish authorized levels of consumption of controlled materials in each of them.

"An idea of the complexity of the task may be had from the fact that while the over-all average of demand for carbon steel amounted to 147 percent of supply, in the case of structural shapes the demand was for 223 percent of what will be available during the fourth quarter. The average demand for copper and copper-base alloys was approximately 170 percent of supply, while that for aluminum was 145 percent.

"Of necessity, our first concern was to see that requirements of the direct military programs—the ships, tanks, planes, and guns needed by ourselves and our allies—are met in full. Next and hardly less important are the defense-supporting activities. Without transportation, power, and communications facilities, for example, both the rearmament program and the civilian economy would bog down. The same would be true if we lacked oil, or food and almost all other items.

"Defense Mobilizer Charles E. Wilson has said from the beginning of the rearmament program that a healthy civilian economy was as important to our defense as the production of arms. I have said the same thing many times myself. Maintenance of civilian production at a reasonable rate is one of the goals of the defense agencies of the Government. In making our calculations, we were faced with such facts as this: If we were to prohibit manufacture of all consumer durable goods, including passenger cars, it still would not free enough copper to satisfy the demand from other segments of the economy.

"Over a period of weeks, we have met almost continuously with representatives of those Federal agencies which are responsible for production operations to meet both defense and nondefense needs. We believe that, jointly with them, we have worked out the best balance possible."

Mr. Fleischmann said that Defense Production Administration and the other agencies realize that the distribution will not fully satisfy all claims "but in this emergency, it is just not possible to do so without jeopardizing our national security."

In steel, the key material, the Department of Defense received direct allotments of approximately 1,946,000 tons of the total estimated supply of 21,336,000 tons, the Atomic Energy Commission approximately 183,000 tons, and claimants for defense-supporting programs, such as those for facilities expansion and for production and distribution of petroleum, electric power, minerals, food products, and the whole range of essential manufactures, the great bulk of the remaining supply.

Approximately 867,000 tons of steel is reserved for manufacture of consumer durable goods; such as refrigerators, washing machines, electrical appliances, and many other products requiring the metal, although those items are not at present under CMP.

The permitted levels of steel consumption in the manufacture of these strictly civilian items will mean some reduction from stimated output during the third quarter. Currently, consumer durable goods are taking steel at a rate of approximately 70 percent of the rate during the first half of 1950. Fourth quarter production will be nearer 65 percent of the base-period figure.

Passenger-car manufacturers are authorized to produce about 1,200,000 cars during the current quarter, or about 65 percent of the first half 1950 base period. Mr. Fleischmann said that fourth-quarter production will be permitted at 60 percent, or somewhat more than 1,100,000 cars. If necessary to achieve this level, auto manufacturers will be permitted to use foreign steel in addition to their quotas of domestic steel.

In their quotas, automotive manufacturers will get less copper and increased amounts of aluminum to make substitution possible. This was found necessary because of the extremely tight situation in copper, Mr. Fleischmann said.

In general, fourth-quarter allotments are more precisely matched with supply than those for the current 3 months, Mr. Fleischmann noted. In the third quarter, which marks the transition period from use of priority ratings to allotments to users under the Controlled Materials Plan, allowance was made for the probability that the rate of "slippage" would be high. That is, it was believed that not all of the allotments made to claimant agencies would find their way to the mills in the form of authorized controlled-materials orders from manufacturers. For the fourth-quarter allowance for this factor was held to a narrower margin and the allotments made conform closer to stated supply and demand. To make any unforeseen adjustment that might be required in the fourth quarter, a reserve of 5 percent of supplies is being withheld from the allotments announced today.

The following table shows allotments of steel, copper, and aluminum to all fourth-quarter programs authorized by Defense Production Administration.

Fourth quarter, 1951, allotments of controlled materials

Claimant agency and program	Total steel	Total copper and copper-base alloys	Total aluminum
	Tons	*Thousand pounds*	*Thousand pounds*
Estimated supply	21,336,000	1,166,000	598,000
Program allotments:			
Secretary of Defense	1,946,000	205,800	168,000
Secretary of Army	32,634	1,260	300
Atomic Energy Commission	183,403	7,160	7,559
Federal Security Agency:			
Education	94,614	2,881	15
Hospitals	71,299	2,190	500
General Services Administration	19,920	600	225
Veterans' Administration	11,041	501	400
Housing and Home Finance Agency	180,000	17,457	500
Secretary of Agriculture	127,400	8,490	2,200
Secretary of Interior	10,000	256	37
Defense Solid Fuels Administration:			
Coal mining	25,615	215	31
Coke ovens	18,135	535	70
Defense Electric Power Administration	289,176	80,852	35,500
Defense Minerals Administration	41,395	1,435	140
Petroleum Administration for Defense	1,806,500	7,975	785
Defense Transport Administration	83,000	1,700	300
Maritime Administration	103,000	4,455	350
Bureau of Public Roads	250,050	1,150	530
Civil Aeronautics Administration	6,190	741	20
Industry Divisions of National Production Authority:			
Agriculture machinery and implements	528,400	8,500	5,800
Aircraft	15,639	1,148	7,950
Aluminum and magnesium	12,850		3,800
Building materials	1,016,100	45,900	50,000
Chemicals		1,000	8,135
Communications equipment	39,453	33,090	2,900
Construction machinery	503,450	4,340	2,000
Consumer durable goods	867,000	49,050	57,000
Containers and packaging	1,615,216	271	17,900
Copper	43,140	2,525	11,000
Electrical equipment	571,530	148,700	27,000
Electronics	72,550	33,385	15,750
Engine and turbine	461,600	15,070	2,600
NPA Facilities Bureau (industrial and commercial construction, etc.)	653,725	7,100	22
General components	1,067,500	150,094	14,700
General industrial equipment	800,500	61,020	25,400
Iron and steel	347,100	1,650	29,000
Leather and leather products	14,000	425	700
Lumber and lumber products	10,236	100	1,200
Metalworking machine equipment	643,500	25,080	7,600
Mining machinery and equipment	95,000	2,595	225
Miscellaneous metals and minerals	1,809	837	16
Motion picture, photo products	8,320	1,420	3,750
Motor vehicle	3,464,300	147,800	92,300
Ordnance and shipbuilding	167,212	8,015	1,300
Printing and publishing	3,788	1,702	375
Pulp, paper, and paperboard	1,000	5	50
Railroad equipment	1,872,425	64,355	8,500
Rubber	33,715	3,342	475
Scientific and technical equipment	47,500	35,600	16,000
Service equipment	46,850	2,800	5,750
Tin, lead, and zinc		10	5,000
Water resources	164,950	4,050	175
Exports (ECA–OIT)	676,000	9,825	2,450
Canada	343,625	2,750	2,250
Allowance for maintenance, repair, and operating supplies	1,312,150	26,884	3,050
Reserves for program adjustment and self-certification	1,171,015	59,850	31,900
Total allotments	24,058,520	1,325,941	681,475

Senator AIKEN. All that is allocated in the fourth quarter, direct to the Secretary of Defense, is about 1.5 million tons.

Mr. WIMAN. I picked up nondefense matters.

Senator AIKEN. Does this include, do you suppose, the steel allocated for the building of new factories and facilities?

Mr. WIMAN. I would not think so. I would think it is direct production of steel.

Senator AIKEN. General Motors is building about 40 new factories.

Mr. WIMAN. That would come under war. That is direct defense.

Senator AIKEN. That is correct; that would come under the 1.5 million tons.

Mr. WIMAN. You can see how much is allocated to railroad and railroad equipment, 882,000 tons, which jumped to 1,872,000 tons for an increase of 990,000 tons.

Senator AIKEN. The highway builders pointed that out.

Mr. WIMAN. Consumer durables, an increase of 500,000.

Senator EASTLAND. That means refrigerators.

Mr. WIMAN. There is a very long list. It includes refrigerators, that is right.

Containers and packaging, 1,647, 1,615, or a decrease of 32

Farm implements, gentlemen, there is your child right there. See what happened to it: 673,000 tons. That is a little less than the 688,000, but it is not enough to talk about, really.

Now, the 528,000 is a cut of 145,000 tons. That was restored to 578,000, resulting in a cut of 95,000.

Senator HICKENLOOPER. Now, your allocation for the third quarter would be approximately what you used last year, or 2,700,000; 673,000 tons makes approximately 2.7 millions tons.

Mr. WIMAN. That is approximately correct, Senator.

Senator HICKENLOOPER. However, you have been cut about 145,000 tons?

Mr. WIMAN. On the original goal and then they restored some of it. We came down and talked to them and they gave us 50,000 tons back. The bottom figure in the table is the real one, but it shows the difference between what they would have first done and what they did do as of today.

Senator HICKENLOOPER. I do not want you to speculate unduly without having sufficient basis, but what information do you have about their intentions so far as allocations for the first quarter of 1952 are concerned?

Mr. WIMAN. I take a very dim view of it, Senator. I take a very dim view of it.

Senator HICKENLOOPER. Do you anticipate that the allocation authorities—Mr. Fleischmann's group, which is the final authority on this—are planning to cut below the 578,000 tons for the first quarter of 1952?

Mr. WIMAN. Of course, that would be pure speculation, would it not, but to try to answer your question, I would say that if they did cut below it that would be too bad, but even if they leave it at the 578,000 tons, it is far too little to produce what Mr. Geissler told you was necessary to have to produce 115 percent of implements in 1952, because we have already lost 100,000 tons.

Senator HICKENLOOPER. You were here yesterday, were you not?

Mr. WIMAN. Yes.

Senator HICKENLOOPER. I guess I announced it yesterday, but I will announce it again because I expect to keep with it. Having gone through this shortage, in 1943 and 1944, as I said on the floor the other day, I called a midwestern governors' conference in Des Moines for a couple of days on that very situation at that time because it was most

acute and we had farms idle. The equipment allocations were completely unrealistic at that time. Even the materials that were available were unrealistically allocated.

We had a list of allocations there that were startling to anybody who knew anything about the farming business.

I am completely zealous—I am not more interested in keeping your factory open than any other factory. That is not the point, but the farm business, not only in our State, and in the Middle West where it is diversified and lends itself to machinery, but all over the country it is becoming dependent upon labor-saving devices, or we are just not going to get the food, that is all there is to it, and we cannot wait until the growing season is on and then make allocations, build the machinery, and get the stuff out there. It must be done now. It must be approached realistically. I think that we have to decide, whoever has the authority, which at the present time is Mr. Fleischmann's group, we have to decide now the relative importance of food production in reasonable quantities, just the same as we have to decide how many guns we are going to have to have and how many men in the armed services, and how many miles of highway we are going to build and how many new boxcars we build and all those things.

I think this is the time that it has to be done and not fool along until next year or the year after when the supplies which everyone knows are decreasing, the food supplies, until they get down to the bottom of the barrel. I think it is vital.

Mr. WIMAN. You could not be more right.

Senator HICKENLOOPER. Steel is not the only thing you use in the farm-machinery business, is it?

Mr. WIMAN. No, sir.

Senator HICKENLOOPER. What other materials that may be called strategic or scarce materials are vital to your business? I know rubber is for tires and other things.

Mr. WIMAN. May I ask Mr. Boyle to answer that?

Senator HICKENLOOPER. Surely.

Mr. BOYLE. Senator Hickenlooper, copper is the second most important material that we use. The requirement of the industry per quarter is approximately 15 million pounds.

Senator HICKENLOOPER. Is it essential? Can you substitute?

Mr. BOYLE. We have done as much of that as we can. We have done a considerable amount of substituting.

Now, that compares with a total allocation of copper of 1,325 million pounds per quarter. That is a total allocation of copper per quarter.

Senator HICKENLOOPER. Not a billion.

Mr. BOYLE. Yes, a billion. That is pounds.

Senator HICKENLOOPER. You said billions tons per quarter.

Mr. BOYLE. No; it is pounds.

The motor-vehicle industry requires 150 million pounds per quarter. The electrical industry requires 150 million pounds per quarter. We require, as I said, 15 million pounds per quarter. Therefore, if you wanted to save copper and you cut out every single pound of copper that we use in the industry, you would only save the equivalent of a 5-percent cut in motor vehicles and electrical equipment. If you cut that 5 percent you could get as much copper as you could get from closing down our entire industry.

Now, that copper is very important. As a matter of fact, Mr. Garrett of our company is here today pleading for sufficient copper to run us through the fourth quarter and we are short 260,000 pounds of copper in our allocation. There is that much copper short to go with the steel that we have had allocated to us.

Senator AIKEN. One reason for the copper shortage is, the holding down of the price of the domestic producers prevents expansion of our domestic production. They actually allow several cents a pound more to foreign producers than they will permit our own domestic producers to charge.

Senator HICKENLOOPER. Are you noticing any effect of the copper strike at the moment?

Mr. BOYLE. We cannot trace our troubles back to the strike.

Senator HICKENLOOPER. There has been a strike on?

Mr. BOYLE. Yes.

Senator HICKENLOOPER. And that means no production?

Mr. BOYLE. That is right.

Senator HICKENLOOPER. Let me ask you this, either Mr. Wiman or Mr. Schmidt. It runs in my mind that in 1943 or 1944 some company in Waterloo, I do not know whether it was John Deere or some other company there, made tractors and they had a very substantial number, up in the hundreds, of almost completely fabricated tractors which they could not complete because of a lack of either copper, a small amount, or tires, or some particular thing. Those tractors, as I recall, that was one of our great celebrated causes. Those tractors were just sitting there practically completed. Were you in Waterloo, Mr. Schmidt, at that time?

Mr. SCHMIDT. That was the situation we were in during the last war.

Senator HICKENLOOPER. Do you have another tractor company there?

Mr. SCHMIDT. In our industry we have Oliver at Charles City.

Senator HICKENLOOPER. I think they had the same situation, practically completed tractors and the farmers were crying for them but in the allocation system they just would not allocate them. They were very minute materials needed to get them out.

Mr. SCHMIDT. There are tractors being shipped right now without critical material and are in the hands of the dealers and dealers are waiting for these parts to be sent to them right now.

Mr. BOYLE. I might add it is going to be very much worse—I mean it will be worse not only for our company, but every tractor manufacturer in the industry—unless we get relief in the fourth quarter on copper.

Senator HICKENLOOPER. Does your company have much contact with the type of material Mr. Butler testified about yesterday, that is, the farm hardware and the farm gadgetry manufacturing, do you make much of that?

Mr. WIMAN. We make a small quantity of that stuff, Senator, that is right.

Senator HICKENLOOPER. Now, in your experience, do you find that these manufacturers of, let us say, specialty items for the farm, such as Mr. Butler's company makes and, for instance, Joe Clay over at Cedar Falls and those fellows make that are very essential, do you find they are having tremendous difficulty?

Mr. WIMAN. Indeed I do, and there is present in the room, Mr. Chairman, Mr. Roberts of S. L. Allen Co., who make the Planet Junior line. He can tell that story. There is a very, very grave difficulty and we have had difficulty ourselves.

Senator HICKENLOOPER. We have a company which makes those in Cedar Rapids and they seem to be in a state of desperation in keeping their production going even on a reduced scale.

Mr. WIMAN. That is right.

Senator HICKENLOOPER. May I ask you this: If the reduction of allocations of steel to the farm machinery business of all kinds continues, even at the level of the fourth quarter of this year, or at a reduced level—perhaps you testified to this—what effect do you think that will have on the amount, percentagewise, of farm machinery available for next year's harvest?

Mr. WIMAN. I am certain it will be in direct proportion to the amount of steel and other controlled materials allocated to us. Namely, we should get 688,000 tons—that is easy to remember—let us call it 700,000 tons. If they cut us 100,000 tons we are cut by one-seventh and if it continues each quarter our cut is one-seventh all the way through.

Senator HICKENLOOPER. There is one other field of inquiry that I think you can testify to with expert knowledge. I think you will recall, and all of us do who were interested in production during the years of 1943 and 1944 and so on, when you cannot get something—I mean if you need a new combine or if you need a new corn picker or something of that kind, a baler—when you cannot get it you do the best you can and sometimes you have to go to hand labor, that is true. But other times they cannibalize old machines and put patch on patch and so on.

At the present time about what rate of replacement exists in your more or less complicated farm machinery? I do not mean plows and harrows and things of that kind which have an indefinite life, I presume, but your corn pickers, your balers, your combines, your loaders and all those things that are somewhat complicated and have moving machinery that breaks down and has to be fixed. What is the turn-over on that, approximately?

Mr. WIMAN. Tractors, 7 to 10 years useful life; combines, 5 to 10 years, depending on where you are. In Indiana with a small acreage or in North Dakota with a terriffic acreage, that is.

Cotton pickers depreciation, Senator Eastland, would be very high. I do not think they last very long. Hay balers, about 5 years or 7 years. Plows, 20 years. Harrows, 20 years.

Senator HICKENLOOPER. My point is this: Beginning in 1945, when we began to see a little opening up and people could buy, we then will be getting into the period in about 1952 or 1953 where the machinery purchased in 1945 or 1946, and depending on the way the farmer takes care of it—that has a lot to do with the life of these machines—we will be beginning to come into the period where all of that equipment is either obsolete or worn out; not all of it. I mean your equipment like plows and harrows and things of that kind do not become obsolete necessarily, but we will be going into the period where all of that machinery will have to be replaced ,in addition to the added use that has a normal demand.

Mr. WIMAN. And the added use to replace the labor that goes off the farm.

Senator HICKENLOOPER. At the present time the farmer may have one tractor and it may not be quite enough for his use. He may want a second tractor and under certain circumstances he possibly could get along with the one by careful handling and so on, but now he may buy a second one.

It seems that in about 1952 to 1953 all the equipment that came off the lines in 1945, to say nothing of the old equipment that has been patched up during the war and prior to the war, will simply have to be replaced.

Is that a reasonable assumption?

Mr. WIMAN. That is absolutely right.

Senator HICKENLOOPER. So if we are going to get ready to replace this equipment that is wearing out, we better be starting now.

Mr. WIMAN. Yes, sir; and, Senator, might I add that if you want to increase your production on the farm without bringing in more acres—and Mr. Geissler yesterday testified there were not many more acres that could be brought in—the only way to do it is in timeliness of operation. You can plant your corn with a two-row horse-drawn planter, but if you go in with a four-row tractor-drawn planter and plant at 5 miles an hour, you can get your corn in by an optimum date and every farmer in the United States knows that there are 1 or 2 or 3 days that is the best time to put that corn in, so it will germinate properly and will be early enough so that it will not be caught by frost at the end.

In putting in cotton, that would be true, too. Sometimes you have to plant and replant, do you not, sir?

Senator EASTLAND. Three or four times.

Mr. WIMAN. If you do not have the labor you have to have the machines to do it with. If you want to increase production of food and fiber, it is necessary to have those proper implements.

Senator HICKENLOOPER. I feel that one of the great difficulties we have in the Government allocation agencies—this is not true in the Department of Agriculture; they fully realize this—but the people who can sign the orders for these things still have not been educated to the point of realizing that food and fiber just does not grow and you cannot go out singing happily in the afternoon and glean it and pile it up and have it there.

It is a scientific business of very great detail and it requires not only labor-saving equipment, but it requires a high degree of intelligence and management to get this food out in the quantities that we want.

I have the feeling, in talking to people from other Departments, that everybody is happy on the farm and all you have to do is go out in the spring and scatter a little feed around and go to the movies during the summer and once in a while the grain gets ripe and you go out with a wagon and bring it in and that is all there is to it.

I think probably we here on the Hill ought to devote a little more time—at least those of us coming from the agricultural areas—in trying to convince some of these Pennsylvania Avenue farmers that there is something more to farming than just letting nature and the sun and the rain and the seasons take care of it.

Mr. WIMAN. Yes, sir.

Senator HICKENLOOPER. I am probably a little extravagant in that statement, but there is still too much of that sentiment going on in officialdom outside, especially among people who have had no real experience in the farm areas, with what it takes to raise a bushel of corn or what it takes to raise a pound of beef or a pound of pork, and all the rest of the foodstuffs that we have to raise.

They still have not apparently realized that it is one of the most highly scientific businesses outside of your physical sciences; for instance, that there is; that it is no longer the harbor or the haven of someone who is a misfit or who cannot make a living any place else. It requires not only equipment, but requires a high degree of skill and good business judgment. All those things enter into it.

Mr. WIMAN. Yes, sir.

Mr. Chairman, I am glad the Senator has brought out so ably the points that he has.

As I look at you four gentlemen here, and know your knowledge of the farm, let me theorize for half a minute on government.

We studied it in college and you gentlemen are putting it in practice. There are the legislative, judicial, and the executive. Okay, you are the legislative. In my humble opinion the executive people do not realize what Senator Hickenlooper just said. You gentlemen do. It is my thought that you have the power and the ability to stand between the American farmer and the "the Pennsylvania Avenue farmers" and to see to it that the real farmer gets enough implements to produce the food and fiber goals.

Gentlemen, if you do not do it, I do not think it is going to be done and I do not know how else to do it.

The CHAIRMAN. All we do is pass the laws and the executive executes them. We have to spell out in each bill we pass how much John Deere will have to get and how much various others will get. It would be impossible. We have to depend to some degree on the executive to carry out the laws we enact.

Senator HICKENLOOPER. Mr. Chairman, may I suggest this? I feel rather keenly about this. I saw it operate at one time in an emergency and I do not want to see us get into that same situation again.

Many people think that Iowa is mainly an agricultural State. I will call your attention to the fact that the value of our manufactured products of all kinds in Iowa substantially exceeds the great value of our agricultural production. People do not realize that.

There is hardly a county seat down in our 99 counties in Iowa that does not make some little gadget that the farmer can use. Our State is completely filled with small factories. Maybe they will only employ 5 or 10 people. Maybe they will employ 100, but all over our State the farmers depend upon that.

Now, they do not depend on John Deere. They will buy tractors from John Deere in Moline and the rest of the people, that is true, but the farmers run their business at least as much on the small, specialized things that are made by, I suppose, 75 small factories in our State, owned by one man sometimes, where he employs a few people. It may be a little corporation. Those are the ones who keep the farmer going day by day.

If something breaks down, he does not run to John Deere to get it fixed or he does not run to John Deere to get a tool; he runs to the fellow who makes the little things in about 75 percent of his operation.

Those are the fellows, as well as your major heavy machinery manufacturers, those are the fellows who are being threatened with practical extinction here insofar as keeping up their employment is concerned.

John Deere may be able to go along for a long time and take losses. I do not know what their financial situation is.

Mr. WIMAN. We can convert to war.

Senator HICKENLOOPER. That is right, but the little fellows all over the State of Iowa, and I am sure it is the same in Indiana, Illinois, largely in eastern Nebraska and eastern Missouri, those are the fellows, if they get chopped off to 75 percent of their normal operation or 50 percent of their normal operation, they are broke and have to close up. They will close up because they lose more than they can stand.

I am not attempting to argue their case just to keep their businesses going, but those businesses have to go or your efficiency on the farm and the increased production will not occur. That is all.

Mr. WIMAN. Their steel has to come out of that 688,000 tons. They get their steel from the Farm Equipment Division.

The CHAIRMAN. Even after our steel is allocated, we do not seem to be able to distribute it properly. You have a lot of pigs in the business; you have a lot of black marketeers. I think what we should do here is to try to eliminate that. We have had a lot of examples set here—not for the record, but I have heard of a lot of these fellows who go out and somehow they get next to the steel producer and instead of letting that steel go through legitimate channels, it goes through illegitimate channels and the prices are sometimes doubled and tripled.

There are any number of examples of that kind. I think Congress might do well to direct laws toward that scum of the earth. That is all those people are.

Mr. WIMAN. Yes, sir.

Senator HICKENLOOPER. Mr. Chairman, I have one more question that Mr. Wiman might have some information on. I do not know.

It has been reported to me two or three times. This is in the nature of rumor. I could not put my finger on a single instance, certainly. It has been reported to me that there are in various cities in the United States—and if this exists in several cities and other localities, it probably exists in most of them—that there are any number of warehouses that for some mysterious reason are stacked to the eaves with steel that just is not moving.

The CHAIRMAN. Those might be the pigs in the business who provide for years ahead and months ahead.

Senator HICKENLOOPER. Are you aware definitely of any such warehouse situation?

Mr. WIMAN. I would rather have Mr. Boyle, our purchasing vice president, answer that.

Mr. BOYLE. Senator Hickenlooper, I know nothing about that. I have no knowledge of that.

Senator HICKENLOOPER. I do not want to make this statement positively, but my recollection is that this man said there were three large warehouses in St. Louis, for instance, that were, to his knowledge, full of steel, just stored there. He mentioned one other town and I

cannot recall now which one it was, but I wondered if you knew of any extensive storage of steel on the part of anybody like that.

Mr. WIMAN. I do not.

Senator HICKENLOOPER. Thank you.

The CHAIRMAN. I presume if you knew about that you would report it, would you not?

Mr. WIMAN. Surely.

The CHAIRMAN. I hope so because unless the trade polices itself, we cannot do much to help them.

Mr. WIMAN. That is right. I listened with great interest to Mr. Butler's testimony yesterday and I thought over it last night about branding steel at the source.

We brand our machines. If we have a bum machine, we catch it in the neck. I do not know why the steel fellow should not.

The CHAIRMAN. I made that suggestion here yesterday and I do not know why that would not be a good idea.

Mr. WIMAN. It might help for the long pull, but it will not help for this October 15 deadline.

The CHAIRMAN. I understand that. We expect to have Mr. Fleischmann, the Administrator of the Defense Production Administration, here tomorrow and we will try to examine him on questions that have been raised here.

Mr. WIMAN. Mr. Chairman, we have gone to him and gone to him and gone to him and we now are coming to you.

As I see it, you are the court of last resort.

As I said before you got here, I was in the War Production Board in the Second World War and I know that the War Production Board was more afraid of "the Hill" than they were of the Japs and the Germans.

The CHAIRMAN. Thank you very much, Mr. Wiman.

The CHAIRMAN. Is Mr. Ritchie present?

Mr. Ritchie, you may proceed. Give your name in full for the record and please identify yourself.

STATEMENT OF L. T. RITCHIE, VICE PRESIDENT, MERCHANDISING SERVICES, MASSEY-HARRIS CO., RACINE, WIS.

Mr. RITCHIE. Mr. Chairman and members of the Senate Committee for Agriculture and Forestry, I am L. T. Ritchie, vice president in charge of merchandising services of the Massey-Harris Co. of Racine, Wis.

I would like to say to you, Mr. Chairman, that we are very pleased and feel privileged to have this opportunity to talk to you briefly about our situation, the kind of production problems we are going to have under material allocation, and I crave your indulgence because I want to use a prepared statement here, and I will be reading it. I may be a little too fast. Stop me if you care to.

The CHAIRMAN. We are proud to have you, sir, and you may proceed in your own way.

Do you mind interruptions?

Mr. RITCHIE. Not a bit.

Massey-Harris Co. is a supplier of tractors and similar tools.

Now that fourth quarter production is imminent, we cannot help but be very disturbed because the materials which have been allocated

to us are going to force that production below any quarter for the past 3 years.

The CHAIRMAN. To what extent?

Mr. RITCHIE. Substantially. We will be 15 percent below anything we have done in the last 3 years. Any comparable quarter, and very much below our present schedules, which we think is interpretation of the demand.

The CHAIRMAN. How much above your production have you been in the last 3 years?

Mr. RITCHIE. About 12 or 14 percent.

The CHAIRMAN. Above?

Mr. RITCHIE. Yes, for the first half of 1951.

The CHAIRMAN. At the present time for the fourth quarter what are you?

Mr. RITCHIE. We will be about 35 percent below our 1951 schedule, the schedule we would have had, had we no controls.

The CHAIRMAN. I was trying to compare it to 1950.

Mr. RITCHIE. It will be 20 percent below 1950.

The CHAIRMAN. All right, proceed.

Mr. RITCHIE. We feel that at a time like this, the production of food and fiber must be kept to a high level. We think it is no more than ordinary good business for us, or any other company in the industry, to have to know pretty well what is the need of the farmer for good equipment.

We feel we cannot do a good job with the present material allocation that we have and we are not going to be able to help the farmer as much as he should be helped if he is going to meet those food and fiber goals and those goals are already set, as we know all about, by USDA.

Our particular function in our company is to control scheduling of production and control inventories so that we close each year with a reasonable percentage of annual sales turn-over.

I have to know about lead times, I have to know how much time is required to produce goods, see that they are scheduled and produced in time and we must see that that production is not too late and do all we can to see that it is not too little.

We think that we are pretty close to the farmer and a sound reason for that is that many of us are farmers. We react in the same way. When the sun begins to shine on the back of our neck in the spring and we know the season is here, it is time to put the crop in the ground and take care of it and we cannot do that without good equipment.

I said briefly that our steel allocation for the fourth quarter is roughly 65 percent of our application. Our application was set up on the basis of the schedules we would make had we no controls. In other words our schedule was our interpretation of the true demand.

We think that the production that will be permitted under the fourth quarter allocation will fall far short of that demand and therefore we will not meet the farmers' needs. We will have several other headaches along the way which I will point out. The factors which I shall outline will show that our company, Massey-Harris, is particularly hard hit by the present allocations and they really work a hardship on us.

The CHAIRMAN. Will you kindly tell us how much your application for the fourth quarter was over previous quarters of this year.

Mr. RITCHIE. Twelve or fourteen percent. It was the same kind of schedule that we had in the first half of 1951. There was no other basis upon which to make application.

The CHAIRMAN. But you have increased it as you just said.

Mr. RITCHIE. Yes; 1951 was greater with us than 1950.

The CHAIRMAN. And your fourth quarter was over the first, second, and third quarter of 1951.

Mr. RITCHIE. No, it was the same. We continued our fourth-quarter application. It was made on the same basis as the first half, and the first three quarters, I should say, of 1951. Exactly the same rate. The tonnage consumption would have been within peanuts of one another.

The CHAIRMAN. I cannot understand your percentage figure here then, that the fourth quarter will be roughly 65 percent of your application.

Mr. RITCHIE. You see, 12 to 14 percent above 1950 would have made us, say 112 or 114 percent of 1950, so that now being reduced by the allocation to 35 percent less than that, we are down to about 20 percent less than 1950.

Our 1952 production, as I see it, will hustle it to make 78 to 80 percent of 1950.

The CHAIRMAN. So that you would be 80 percent then of 50, and 65 percent of 1951?

Mr. RITCHIE. That is right.

Now we think there is a very important thing to look at in repair parts. Everyone will agree that repair parts are needed and vital to the upkeep of every machine that is now in the field. We have seen the repair part demand go up by 40 percent. We think that is an indication of what is going to happen in the future. We have some proof of the trend.

We feel too that farmers are not yet really buying repairs in the volume that they will, once farm equipment production is forced down by 20 or 25 or 30 or 35 percent.

At that time we predict that we will really begin to hear complaints about machines being held up in the fields.

We consider that our first obligation is to provide parts for machines in the fields. We think it is going to be extremely difficult under the present allocation to keep repair parts stocked adequately at branches and dealerships so as to be sure that no farmers are held up due to lack of parts.

I said we have seen substantially increased demand for repairs this year, and 1952 orders are flowing in right now at a rate that indicates a further increase.

We are all familiar with what happened in the last war when there was a shortage of repair parts. We would very much dislike to see that kind of thing happen again.

Second, we also experience a very great demand for machines which we cannot meet. We have been sold out for weeks and weeks of all our large self-propelled combines. Our corn pickers are short. They will all be sold. We have already had to cut production of those during the third quarter by virtue of allocations, and our dealers and customers are asking for more big tractors than we can build. All

summer we have been short of mowers, rakes, hay balers, and other tools.

We know that we have no inventory of these machines that is worth mentioning. Our inventory in the over-all is lower than it was a year ago. We feel that our inventory at the end of this year will be lower than normal. We make a check of this every 30 days, and are determined by the estimated final sales furnished to us every 2 weeks and I recap it every 30 days, and we know that our inventory is lower than it was.

There has been a lot said across the Nation in these last few weeks about inventory of goods in dealers' hands. We would like to ask, "Who is qualified to judge inventory in dealers' hands? Who knows how much goods a dealer should have?" I do not think we can tell unless we make some surveys. I am glad to see that Mr. Wyman's company has made a very complete survey so he knows exactly what his inventory position is. We have made surveys. Just a week ago last Monday I stopped at one of our own dealerships—and this is just an example of what can happen—and I saw five new tractors in that dealer's yard. I talked to him about it. He said, "No; they are all sold. I am going to order a new carload tomorrow morning."

As I was there for 2 hours this morning, two of those tractors went out. I made it my business to check since and I found that the other three have been delivered.

It is hard to judge inventory.

We submit that it is impossible to do so unless we know all the facts. In our business it is just no more than ordinary good business to know these facts. We have to know them. We cannot do a good job in management unless we do know them.

There is another point that should be taken into consideration. Today the dealer has moved his place of business to the edge of town so he can have room to display goods. The public sees his equipment. All of it. The equipment is larger than it used to be. It attracts attention. And to anyone driving by it may appear to be a large supply.

We submit that we have no abnormal inventory of farm equipment and that farmers are dependent on our fall and winter production of plowing and planting and cultivating equipment. There will not be enough equipment on the basis of the present allocations and farmers, we think, will be letting us know about it definitely before the spring season is over.

Now, there are some things about our company that are a little different than some others. I would just like to present a few facts for you about it so that you can examine the growth factor in our business. We have been a steadily expanding company with sales increasing each year. In 1950 we increased 10.9 percent in spite of the fact that the Department of Commerce figures reported the industry to be down slightly. We have spent many millions in the past 5 years for new plants and toolage and in all good faith we have invested heavily in the past 2 years in establishing five new branches across the territory.

At the same time, and as a result of these branch establishments, we have installed nearly 700 new dealers who are now set up in their respective territories and are giving good mechanical and repair-part service. To do so, these people have made a substantial invest-

ment in repair stocks and service-shop equipment and these new dealers have joined the ranks of our older dealers and we now have across the country a very substantial increased number of sales and service depots. We are prepared to service our machines from Florida to the Yukon.

These new dealers are going to create a problem for us under allocation because they have to receive equipment from our reduced production. We cannot forget them or freeze them out. If we do, they will be forced out of business. They will be unable to give service to the customers that they have.

At the same time our old dealers are going to feel that they are entitled to a supply of goods that is in direct ratio to the supply they received in the base period, and sufficient to justify their investment and their overhead. If we agreed to that, we would have nothing whatever for the new dealers and they will be completely left in the lurch.

Senator YOUNG. I know of no greater service to the farmer than that which the dealer provides. The dealer, as you know, has a large investment in repairs and in almost every single instance now he provides the best kind of service. No piece of farm machinery and particularly the combine or tractor or the more complicated farm machinery is given any better service than the dealer. You have to have repairs and an adequate supply of repairs to make that service possible.

Mr. RITCHIE. The farmer has to have help. We cannot ignore it. We will not survive unless we meet it and see that dealers are set up so they have the parts needed and so they can give the mechanical service needed.

When the planting season is on, there is no time to waste. You have to make every minute count. We are all farmers enough to realize that that is true and we have to look after it.

Senator YOUNG. I think that the length of service of any piece of machinery is greatly increased with these new modern services. That is particularly true of tractors and combines.

Mr. RITCHIE. The life of a machine properly serviced all through its life can be doubled. However, it does have to have parts and it does have to have good service.

Now we have made these moves in our company and they involved heavy investments. We did it in all good faith, and thinking that we could justify them by our own initiative. Now we find our destiny is not entirely in our hands and we may not be able to keep faith with these dealers and farmer customers of ours.

There is still another way in which the present allocations work a hardship on our particular company and that is this: That we may have difficulty even being able to accomplish the 65-percent production that I mentioned. It is roughly 68 or 67 or 62 or whatever it turns out to be. That is because the growth factor which we have described above has made it difficult for us to get a balanced round of materials. That is because only a short 2 years ago, 6 or 7 years ago, our take of steel from steel mills, the regular mill supply, was a lot smaller than the tonnage requirements that we have now. Therefore, we are not on steel books, with a pattern, with anything like the kind of requirements we have now. We have been forced to

patronize conversion deals and buy warehouse steel. None of that kind of purchase leaves any kind of pattern on a steel supply book.

During the past 5 years, steel companies have been in short supply most of the time, so we have been told. They have not actually welcomed too much new business because they have had their own troubles in supplying the orders they did have.

Therefore, in our particular case, this recent direction 3 to regulation 1 works a real hardship because it permits the mills to allocate on an old-time, years-back, pattern basis. We are not in that. We are really in trouble, not only in getting a sufficiently large allocation but in being able to get the steel that is allocated to us.

Now any company in our industry, uses a lot of good, high chemistry steels. It has to be good mill steel and you cannot get it just anywhere. It has to be balanced. A balanced round is of great importance. We could easily find ourselves in a position of having steel that we could not use. We are not going to help the farmers of this country at all if we are in that kind of situation.

We can be in the situation of wanting to build a house and having all the lumber, bricks, glass, and cement and could not put it together because we had no nails. That is just an example of the kind of situation that we can get into.

Not having a long-term pattern does work an additional hardship on our company in the matter of balancing our materials so as to make a complete round.

We therefore submit our company is going to need help. It is going to need it fast, if we are going to do even a fair job of producing the implements and repair parts that the farmers are going to need right this very next spring. We need a larger allocation. We need help by way of directives to help us balance the steel that is allotted to us.

I am sure that every one in the industry realizes that in getting our allocations some 3 weeks or so before quarterly production starts, we are left with very, very little time in which to change specifications, get them accepted and get delivery in time to avoid loss of production.

Once we lose one production day, we never get it back. It is gone forever.

Our present allocations in our company will force about 700 people out of employment.

The CHAIRMAN. How many are you employing altogether?

Mr. RITCHIE. 5,300.

The CHAIRMAN. At your factory?

Mr. RITCHIE. Yes, sir. That is 5,300 for all plants.

The CHAIRMAN. Because of this shortage of steel that you are complaining of now, have you had to lay off any of your employees up to now?

Mr. RITCHIE. Yes. We are all the time and from now on it will be worse.

Senator EASTLAND. Suppose you get the steel and not the copper, could you produce?

Mr. RITCHIE. No; we will need copper, too. It must be balanced. Our position is exactly the same as that of Colonel Wiman.

Senator EASTLAND. How much copper?

Mr. RITCHIE. We use about 320,000 pounds. We use it mostly for radiators for tractors, self-propelled combines, and so forth. So far

we have received less than 200,000; I believe our allocation is 190,000 pounds. We are seriously short of copper.

Alloy steel is another tough problem with us.

What I have been talking about is mostly carbon steels. There are alloys necessary in making good, tough gears. It is tight. We have not got enough alloy, yet.

Those things are important to us.

I come back again to this problem of the dealer because we fear very grevious complaints from our dealers. We are not going to be able to keep pace with them. With some justification, they may feel that we are breaking faith.

Still more important, we are not going to be able to adequately service machines presently in the farmers' hands. We think there is going to be a howl to high heaven before spring is over. We ask ourselves, who will be blamed and who should be blamed. We submit that the industry should not, because it stands ready at any time to do whatever is necessary to get the goods that are necessary, once we are given the materials.

We submit that the food and fiber program and the goal set by the United States Department of Agriculture are realistic. We watch these surveys. It so happens this particular survey is almost on the nose with our own schedules. If we had made a schedule based on there being no controls, it would have been practically 115 percent of the base period.

Obviously my company, or any other, would not make any schedule without a reasonable expectancy that the goods produced by that schedule would be sold.

We feel that the industry and every company in it stands ready to protect this country or do anything that is necessary to protect this country. I am sure we all feel that food and fiber will be a vital tool of war and it will be true this time as it has been in past wars that "an army marches on its stomach."

We wonder where all the steel is that we are told about. In this industry we use less than 3 percent of the Nation's total steel output. We think that surely a little more can be found for farm tools and it would only take a little more to allow us to do a good job and prevent the farmers from protesting vigorously. We must remember that farmers have less help on the farm today than they have ever had. They need good farm tools. They can do better work, faster work, and do it more cheaply and with less help. They need these tools for this coming planting season because we know there are no large inventories upon which they can draw. We feel that this industry has a responsibility to supply those tools. We feel we should point out the possibility of a repetition of the mistakes made during the last war when the supply of farm equipment and repair parts was allowed to deteriorate to the point where food production was seriously jeopardized and steps had to be taken quickly to overcome it. Even then the industry was about 2 years recovering from the turmoil caused by having production cut too low. We were forced into conversion.

Senator YOUNG. I do not think there was any sense to the way the program operated in the last war. For example, often times when the farmer needed a repair part for his combine, he could not run the combine without it. He would go to his local dealer and find no re-

pairs. Then in an effort to get the needed part he would start driving all over the country, oftentimes as much as 200 miles trying to find a small repair part probably worth only $2 or $3. He was not allowed tires for his car so he took his truck. He violated a rationing regulation but he had to do it in order to stay in business and tend to his crop.

Mr. RITCHIE. There was nothing else he could do.

Senator YOUNG. In the end he burned up more gas and used more rubber, resulting in a greater loss to the war effort than if the repairs had been made available.

Mr. RITCHIE. That is right, and it is a religion around our place that we do want to supply parts. If necessary, we will stop a production line to do it.

Senator YOUNG. I think the highest priority ought to be given at all times to repair parts.

Mr. RITCHIE. There is no way to make a corn or cotton crop wait. They just do not wait. The season comes to plant it and the next season comes when it is ripe and we have to harvest it. The machinery must be there to do the job and we are ready to provide it if materials are made available.

I am sure that the industry recognizes the situation and is willing and anxious to supply tools to match those seasons. They are no good in any other season.

The CHAIRMAN. You posed a question a while ago as to where the steel is. Of course, you realize that a lot of it is in the black market.

What does your company do in order to trace this black-market steel where you know that it exists?

Mr. RITCHIE. We cannot do much about tracing it. We do not have to seek it.

The CHAIRMAN. Is it offered to you?

Mr. RITCHIE. Yes.

The CHAIRMAN. Have you been purchasing any?

Mr. RITCHIE. Yes. We have to.

The CHAIRMAN. At what price?

Mr. RITCHIE. At ridiculous prices.

The CHAIRMAN. How did the price you have had to pay compare with the normal or current price?

Mr. RITCHIE. Let us look at it this way: You can buy good mill steel for $100 to $110 to $120 a ton, depending on what it is. If you buy it in warehouse, it will be 30 percent higher than that.

The CHAIRMAN. How much of that have you bought; do you know? I do not want to go too much into your business, but have you been assisting the Government in tracking down these black marketeers?

Mr. RITCHIE. What can we do about it?

The CHAIRMAN. Report them. That is what I would do.

Mr. RITCHIE. From these two sources, from mill and warehouse, when we cannot obtain our needs and we get to the point where a line will go down the next day or the next Monday unless we get some steel, every day you can cash in on somebody calling and offering you some steel. And for that steel you may pay $200, $250, $260, $280, even $300 or more per ton.

The CHAIRMAN. Do they furnish you with a list of it?

Mr. RITCHIE. Well, they will tell you about it. It is all telephone work.

The CHAIRMAN. How is it delivered to you?

Mr. RITCHIE. Shipped in the ordinary method.

The CHAIRMAN. Using trucks?

Mr. RITCHIE. Trucks, usually.

The CHAIRMAN. Railroads?

Mr. RITCHIE. Trucks, usually. Sometimes railroads.

The CHAIRMAN. Do you have any idea how they obtain that steel?

Mr. RITCHIE. No.

The CHAIRMAN. Would you mind giving us a list of those you bought from, not for publication, just so I can submit them to proper authorities?

Mr. RITCHIE. Certainly. We don't have it here but I can get it for you from the office.

The CHAIRMAN. I wish you would. I do not want to embarrass you but I believe unless the industry tries to help themselves to get at these black marketeers, it may grow worse, rather than grow better. As you just pointed out, we have steel production and if it is allocated and if it does not find its way to those to whom it is allocated, there is nothing Congress can do about it, except pass laws to jail the black marketeers and those who deal with them.

Mr. RITCHIE. I believe, Senators, you would be doing the finest job and remove one of the blackest marks in this country if you could eliminate that problem.

The CHAIRMAN. You know the great trouble, Mr. Ritchie, is that it takes two to make a bargain. You know what I am driving at.

Mr. RITCHIE. I know exactly what you are talking about.

Senator YOUNG. I might say this, Mr. Chairman: Only a short while ago a small concern making combine pick-ups in North Dakota was unable to get steel and I was unable to get it for them. He said, "I can get it in the black market," and he finally went there. It was a question of going completely out of business or going to the black market.

Mr. RITCHIE. Most manufacturers at some time or other, have some of the same kind of problem. I do not believe anybody is entirely free of it.

The CHAIRMAN. Mr. Ritchie, I understand you have a plant in Canada.

Mr. RITCHIE. Yes.

The CHAIRMAN. How do you fare there with respect to steel, copper, and other materials?

Mr. RITCHIE. Canada does not actually have controls as yet like we have them under DPA and NPA and their production is not down as much as ours. We feel that reductions will follow.

Fortunately our company in Canada is in a somewhat better position than we are in this country or as our company is in this country. Basically it was an old Canadian company. We are organized in this country, too, but because it is an old Canadian company it has a very definite and long-term pattern with steel producers. They all have had our names on their books for years and years and years. We have a good pattern there.

The CHAIRMAN. How much older is that company than the one you have here in this country?

Mr. RITCHIE. This is a branch of the same company and it is now 106 years old.

The CHAIRMAN. Do you mean what you have in the United States?

Mr. RITCHIE. Yes.

The CHAIRMAN. When did you establish it here?

Mr. RITCHIE. In 1927. We were in Racine in 1927 and went into Batavia in 1913.

The CHAIRMAN. To what extent, if any, do you bring steel from here to your Canadian company or vice versa?

Mr. RITCHIE. The American Massey-Harris Co. does not do any of that and Canada does a little bit of it. Not very much but they do get some from the United States, but only through the Washington agency here.

The CHAIRMAN. Do you mean through allocation?

Mr. RITCHIE. Yes.

The CHAIRMAN. What does that amount to, do you know?

Mr. RITCHIE. I am not in a position to say, Mr. Chairman. It is not substantial.

The CHAIRMAN. You would not be able to state percentagewise how much American steel and copper and other things you need to run your factory?

Mr. RITCHIE. I am just guessing. It would be heavy on copper, maybe 50 or 60 percent. On steel, maybe 15 or 20 percent.

The CHAIRMAN. You are getting that from the American suppliers?

Mr. RITCHIE. Yes.

The CHAIRMAN. And not direct?

Mr. RITCHIE. That is part of the United States Government's allocation to the Canadian Government, and it is handled by the steel controller over there.

The CHAIRMAN. Do you sell all of your output in Canada or do you sell any in this country?

Mr. RITCHIE. Some comes over here. Some of ours goes over there.

The CHAIRMAN. Are there any tariff barriers of any kind?

Mr. RITCHIE. No.

The CHAIRMAN. How does your labor market compare in Canada to this country?

Mr. RITCHIE. In Toronto and Branford and Woodstock, where we have large plants, there is not very much difference. The size of the market is about the same, I would say, in relation to the size of the plants that we have there and rates are not too much different.

The CHAIRMAN. Your cost of manufacture then, would you say, is equal or about the same?

Mr. RITCHIE. About the same.

The CHAIRMAN. How about taxation?

Mr. RITCHIE. Not too much difference. In some respects they are higher than we are here, a little bit.

The CHAIRMAN. Do you sell at the same price in both countries?

Mr. RITCHIE. Yes.

The CHAIRMAN. Very well, you may proceed.

Mr. RITCHIE. I am very close to the end of my story, Mr. Chairman.

Senator EASTLAND. What percent of your production is exported to countries other than Canada?

Mr. RITCHIE. From this country or from Canada?

Senator EASTLAND. From this country.

Mr. RITCHIE. About 12 percent.

Senator EASTLAND. What percent from Canada?

Mr. RITCHIE. It is heavier than that. It is 30 or 35 percent.

The CHAIRMAN. What is your chief export country?

Mr. RITCHIE. All of Europe, all of South Africa, all the Latin American countries, India, Australia, New Zealand.

Senator YOUNG. Do you mean all of Europe behind the iron curtain?

Mr. RITCHIE. No. Central Europe, north Africa, and all of South Africa. That is a long-term business with us. Massey-Harris has been organized in those countries for a long, long time.

We export—I cannot name them but I know the number, there are 78 countries to which we export. And particularly in countries such as South Africa and Australia and New Zealand, we operate by branches just the same as we do here. We know our farmers and they know us. It is just the same kind of an operation that we have in this country.

We have two plants in England, also, one in France and one in Germany.

The CHAIRMAN. How do you obtain material for those plants?

Mr. RITCHIE. Locally.

Senator EASTLAND. Are your export prices the same as your prices in this country?

Mr. RITCHIE. Yes, based on discounts from the same list.

The CHAIRMAN. All right, sir.

Mr. RITCHIE. We feel that this problem has reached the point where it is going to take the combined effort of Congress, Government agencies and our industry to do the job that is required. We would like to make some recommendations. We feel that the job can be done but it does require that we get closer together and work this thing out so that we get the maximum effort on the part of everybody.

In conclusion to our report, Mr. Chairman, we submit the following four specific points as our recommendations:

1. That continued quarterly reductions in allocations would shortly lead to an impossible situation and therefore the implement industry must receive larger allocations if it is to help farmers meet the food and fiber goals set by the United States Department of Agriculture.

2. That allocation tickets be honored in such a way as to provide the balanced round of materials.

3. That programs for the various quarters must be given us on a long-term planning basis.

The CHAIRMAN. What do you mean by that?

Mr. RITCHIE. That we need more time. Allocations earlier.

The CHAIRMAN. How much earlier?

Mr. RITCHIE. We have been getting them in the last two quarters within 3 weeks of the start of the next quarter production.

The CHAIRMAN. That is notice of what you are to get for the ensuing quarter?

Mr. RITCHIE. That is right. It ought to be 75 to 80 or 90 days.

4. That together we must be foresighted enough to avoid the mistakes we made in 1942 and 1943.

The CHAIRMAN. Are there any questions, gentlemen?

Thank you very much, Mr. Ritchie.

Mr. RITCHIE. It has been a real pleasure to have this opportunity.

Senator EASTLAND. If you get your steel allocation, what assurance

do you have that you will get the other critical materials such as copper and rubber?

Mr. RITCHIE. We could have said a great deal about that. I did not want to burden you, Senators, with a lot of detail. It is well known by the authorities who handle these allocations that they must balance.

Senator EASTLAND. Does the same committee handle the allocation of all the materials?

Mr. RITCHIE. Basically, yes.

Senator YOUNG. You are having no trouble getting rubber supplies now, are you?

Mr. RITCHIE. We had great trouble earlier this year. Right now we are all right.

Senator EASTLAND. You have to get copper, and you have to get rubber. What else do you have?

Mr. RITCHIE. Carbon steel, alloy steel, copper in its two variables, aluminum, and rubber.

The CHAIRMAN. In making your applications for these various commodities, do you hand them to the same official?

Mr. RITCHIE. Yes, they go to NPA.

The CHAIRMAN. Thank you.

Mr. LEE. Will you identify yourself for the record?

STATEMENT OF MERCER LEE, VICE PRESIDENT, INTERNATIONAL HARVESTER CO., CHICAGO, ILL.

Mr. LEE. My name is Mercer Lee, vice president of the International Harvester Co., Chicago.

I have seen a lot of publicity recently about the over supply of farm machinery. I want to say that as far as International Harvester Co. and their dealers are concerned, that does not prevail.

For more than 10 years three times a year an actual count of inventories of dealers has been taken and consolidated with our inventory as one figure. We have quite a long record of that. We do it after certain seasons of use of tools. We have done it principally to see what we should build in the succeeding 12 months' period.

One of these periods of taking this dealer inventory which is an actual count by our men and the dealers' men, just ended at July 25. Added to that, we put those tools in our own hands so we came up with a total of tools on hand that are available. We set that down against like periods of a year ago.

Now this inventory picture of finished goods in hands of the Harvester Co. and its dealers, July 25 this last year, and July 25 this year, shows some of the items are in less supply and some are over. I have some figures of comparison.

For instance, in the farm tractors the supply is 4,000 less than the same period last year. Tractor cultivators, 3,000 less.

The CHAIRMAN. What is that due to, it is not lack of steel, is it? The allocations have been put into effect here just recently.

Mr. LEE. I might say this, that not since 1941 have we built as much tools of any of our classes of goods as we could have sold or that there was a demand for. We have not done any selling of agricultural ma-

chinery since 1941, because the demand has been so great and our inability to build has not been equal to that.

The CHAIRMAN. Do you mean since 1941?

Mr. LEE. Yes, sir.

The CHAIRMAN. In other words, have you increased each year as time went on?

Mr. LEE. As far as we were able to. Sometimes we have not been able to increase our production because of materials and sometimes labor difficulties. Also, our production facilities have not been sufficient to produce the quantity needed to fill the demand.

The CHAIRMAN. I do not want you to give away any secrets—you have a lot of competitors around—but would it be convenient for you to give us the information as to other things you manufacture. If you do not want to give the number, give it percentagewise, how much more or less the 25 inventory showed.

Mr. LEE. I have it on all tools and I would be glad to give it to you on any tools you like. I just took some of the basic machines, like the total inventory is 4,000 less tractors, 3,000 less cultivators, 5,000 less grain binders.

The CHAIRMAN. That is less than when?

Mr. LEE. A year ago the same period. That makes it a comparable figure, as I see it.

The CHAIRMAN. I understand. And I presume that when you made your inventory of a year ago, you used that inventory as the basis for what you produced the following year.

Mr. LEE. That is right. We do that all the time.

We take this inventory and have been doing so for over 10 years, April 25, July 25, and October 25, of each year. We use that as a basis for what we will produce in the succeeding year, of those tools.

The CHAIRMAN. Then you produced short, then, according to that?

Mr. LEE. We produced short for several reasons. The demand was greater than our ability to build through capacity and sometimes we did not build capacity because we did not have sufficient material and at other times because labor was not working.

The CHAIRMAN. The committee is glad to have that information and I would be happy to have you put that in the record because there has been a lot of information given out that there are too many tractors and too many other things. I have heard that myself from some of the Government officials who, by the way, have to do with the allocation of steel.

I would ask that not only your company do that, but anyone else, any other company who can show a situation similar to yours, should show a comparison with the situation a year ago.

Mr. LEE. This will go in the record. We have not only the consolidated statement but we can break it down by dealer towns where these products are. We have that.

If anyone cares to question it, we can then check it back to the last machine.

The CHAIRMAN. If you could make available to us the inventory that you took last July and compare it with July a year ago, I believe that it will assist.

Mr. LEE. This is it, and this is on the basic machines that I am talking about.

It shows 2,700 less combines, 300 less corn pickers, 500 less pick-up hay balers, 50 less beet harvesters, 700 less hammer mills, 600 less ensilage cutters, 1,500 less stock cutters, 4,000 less cream separators.

Now that is not all of them. I am just giving you some basic machines. There are some tools on which there is inventory more than that of last year. For instance, we have 15,000 more tractor plows but the reason for that is, the early part of this year we had a labor difficulty in the plow beam department in our Canton, Ill. plant, in which we did not get that production out on these tractor plows until after the spring plowing season. They were shipped too late to get into the spring plowing season and that is the reason more are on hand than a year ago.

We have 10,000 more disc harrows in stock than last year. We had the frames and other parts for these disc harrows but we did not have the blades so it was not a complete harrow.

We have 1,100 more window harvesters than we had a year ago. That is because we changed the design on it and did not get it in production early enough to get it out for use in this year.

We have 1,400 more milk coolers and 800 more corn shellers. That is minus and plus against a year ago, on some tools.

The CHAIRMAN. In asking for steel for the future, I presume that you take into consideration that which you have as an oversupply, do you?

Mr. LEE. There was not any allocation of material until the third quarter of this year. We were in a free market up until then so we always tried to procure enough steel to produce our plant capacity. But, as I said earlier, at times we were unable to use our plant capacity because we had various labor difficulties and have not produced full capacity at any time since 1948, a full 12 months, due to difficulties related above.

Now that is the inventory situation as of July 25 and for some reason during this month of September, there has been an accelerated acceptance of tools. This inventory that I speak of that was taken July 25 is less now that it was July 25. In the last 2 weeks there has seemed to be an acceleration on the part of the farmer in accepting out of season tools so our inventory is down from what it was on July 25.

The CHAIRMAN. To what extent have you had to curtail operations, at the present time?

Mr. LEE. Well, I will say this: We need 145,000 tons of steel to run our plants at capacity. If we ran them at capacity, we could sell all the goods. The demand is that strong.

We received an allocation of 101,000 tons of steel in the third quarter, so that is 70 percent, or 30 percent less than we would have been producing if we had the material and labor working full time.

We have been given an allocation of 91,000 tons of steel for the fourth quarter. Compared with what we would be building if we had the steel to produce it, that is 62 percent.

One thing that I would like to mention and to stress what these other gentlemen brought out. This is an industry where, if they are going to get the most out of what steel they do get, they have to have about a 12 months' allocation of material.

You build tractors the year around and then you have to build tools for those tractors depending upon the area to which they are

going. It does not matter whether there is 100 or 1,000 tractors. You set up in your mind what area they are going to.

You then build planters the year around. You build your cotton planters first and then you build corn planters next, on the same facilities.

If you only have this information on a quarterly basis, you might put all your material in cotton planters and have no corn planters, or vice versa.

As Mr. Wiman brought out, you have to use the same facilities in the plant for building many tools and if you do not have a 12 months' allocation of material, then you cannot work out the best program of production that suits the economy the best. That is something that I do not think is understood outside of the implement industry.

It does not make any difference to any continuous line of production machines whether you have 3 months or 6 months because that is a repetitive item, as an example, the automobile. You build that same model every day and you ship it to South Carolina or ship it to North Dakota. When you build a cotton planter it goes around the edge of the United States and you cannot use that to plant corn.

I want to stress the need of that and I would also like to stress the need of not only the steel that is needed but you need a complement of these other two controlled materials, and that is copper and aluminum. Steel, copper, and aluminum are the three controlled materials.

To give you an illustration of what I am talking about, in Harvesters' agricultural machinery production, we require per quarter on the present allocation of steel that we are getting for the fourth quarter, 1,049,000 pounds of copper. Our application was returned giving us 585,000 pounds of copper a quarter. We have been able to make substitutions to the extent of 150,000 pounds and that means we are short over 300,000 pounds of copper to match the steel which has been given to us.

We build our own radiators, for instance, for all of our tractors, and in the engines that go on combines, hay balers, and so on, and there is quite a bit of copper used in an engine, in the radiator, and so forth.

We are one of the large builders of cotton pickers. We require 80,000 pounds of aluminum for our fourth quarter cotton picker production. We have gotten 60,000 pounds allocation so we are short 20,000 pounds. That means if we do not have an interim application acted upon favorably, then we do not build as many cotton pickers as we otherwise would.

In our production we do not fabricate everything that we assemble. We have many small companies which we parcel pieces for fabrication. They are little business people. We have 5,400 agricultural machinery dealers in the United States that depend upon their source of supply from us. Whatever allocation is given affects them.

I want to bring this out: Most of our production is set up on a two-shift basis. In other words, if we want to build 3,000 tractor mowers a month, we would have a two-shift operation and build about 1,800 of them on the first shift and about 1,200 of them on the second shift.

If this production is cut to the extent that allocation indicates it will be, you do not relieve any plant facility for anything else. You still have to keep that line there to produce what you are allowed to build. Do I make myself clear on that, Senator?

The CHAIRMAN. Yes, you do.

Mr. LEE. In other words, if we do not produce these tractor mowers, we cannot use that space for war work because you have to leave that facility set up as is.

The way this looks now, the amount of material allocated, if it is not changed to the industry and if Harvester does not get a share according to history participation, it is going to mean the separation of about 5,000 employees in the next few months from the company.

The CHAIRMAN. That is not so bad as it is when we consider the lack of machinery to the farmer.

Do you have any factories outside of the United States?

Mr. LEE. Yes, sir, we have several. Three in Canada, two in Australia, one in Germany, one in Sweden, four in France, and two in England.

The CHAIRMAN. How does the supply in Canada compare with what it is here?

Mr. LEE. It is on a comparable basis in Canada as it is here. We might get a little bit greater percentage of steel there than here but there is not a lot of difference in it.

The CHAIRMAN. It is short there also?

Mr. LEE. Yes.

The CHAIRMAN. And the same holds true for the other alloys?

Mr. LEE. Yes.

The CHAIRMAN. I mean copper and so forth.

Mr. LEE. Yes. In our Canadian plant we use very little copper. That is what we call an implement plant, and there is not much copper going into implements. It is in engines where your copper goes.

The CHAIRMAN. You have heard a lot about the black market, and we have asked about it of every witness. Do you know much about it?

Mr. LEE. I do not look at it exactly as a black market. I look at it more as an excess cost than I do black market. We are paying excess costs for steels that we do not produce ourselves, but it is because that excess cost is incurred by the producer.

I will give you an illustration. We bought some steel ingots on the west coast. They get the same price for those ingots out there as you would get in Chicago or Pittsburgh. We had to ship them to Chicago and turn them into billets and then ship them somewhere else to turn them into sheets. All that is excess cost. I do not class it as black market.

The CHAIRMAN. Not that, but if you buy from a warehouse, though, you would not call that black market?

Mr. LEE. I would not call buying from a warehouse black market because a warehouse is necessary, both for small businesses and for large businesses, as I see it, because steel mill make run of sizes. We might only want 500 pounds of a given size, and the steel mill may have made 20 tons. Of course, the warehouse gets a higher price than the mill.

The CHAIRMAN. Do they do that in normal times?

Mr. LEE. Yes.

The CHAIRMAN. Higher prices?

Mr. LEE. Yes.

The CHAIRMAN. As much as double and triple?

Mr. LEE. No; not double and triple. It does not run that.

The CHAIRMAN. We have evidence here to show that it was at least double.

Mr. LEE. I do not think they intended to say that warehouses charge double. I do not think they intended that.

As I remember Mr. Ritchie's testimony, he said it was about 30 percent more than the mill price, and it runs something like 30 or 40 percent more than the mill price, and that has always prevailed in the steel industry. That is not black market, as I class it.

The CHAIRMAN. Do you know of any black market?

Mr. LEE. Not in Harvester. We have had excess costs on steel because of these conditions of shipping it around to get it rolled into what you need. I do not class that as black market.

The CHAIRMAN. What do you class as black market?

Mr. LEE. What I would class as black market is where a steel producer would sell it to somebody who was not in the business of handling steel or fabricating steel and then that fellow selling it to somebody else. That is what I would class as black market.

We have not had any experience with that. We have not purchased any steel through that source.

The CHAIRMAN. You have not dealt with brokers?

Mr. LEE. No.

The CHAIRMAN. They are usually the individuals who handle it.

Mr. LEE. We have not done that.

The CHAIRMAN. Do you get any lists from people offering to sell you what you might need at a price a great deal more than what you would ordinarily pay, even from the warehouses?

Mr. LEE. Coming into the years 1945 and 1946, there was a lot of people——

The CHAIRMAN. I am talking about the present.

Mr. LEE. Well, I think that will explain the present. In those years we had many people who were not in the regular business offering to furnish us steel and every time we traced one of those down, the fellow did not have it where you could look at it. He was hoping to use your order somewhere else to procure it and sell it to you. We do not pay any attention to those people now because we were not successful in getting anything.

If we get such a communication now, I do not think we would pay any attention to it.

The CHAIRMAN. You do not run them down any more?

Mr. LEE. No. We never did get any and it was not considered worth while. We do everything we can to get production and will pay some excess costs sometimes, but not through that channel.

The CHAIRMAN. I think the black marketeers are prone to deal with little fish rather than big fish.

Mr. LEE. I do not know.

The CHAIRMAN. Is there anything else you desire to add to what you have said?

Mr. LEE. That is all I have.

The CHAIRMAN. Senator Young, have you any questions?

Senator YOUNG. No.

The CHAIRMAN. Thank you very much.

STATEMENT OF PAUL GIRTON, PRESIDENT, GIRTON MANUFACTURING CO., MILLVILLE, PA.

Mr. GIRTON. My name is Paul Girton, president of the Girton Manufacturing Co. and one of the typical small manufacturers referred to earlier by one of your committee.

I have with me Mr. John Marshall of the National Association of Dairy Equipment Manufacturers and Mr. George F. Rowe, of the Dairy Industries Supply Association.

I am particularly happy to be invited to appear before this committee because I believe your invitation to me represents a recognition that it is just as important to process and distribute food as it is to produce it on the farm. So far as I know there is no congressional committee on food as such, but here we have the Senate Committee on Agriculture and Forestry making a point of hearing testimony from an equipment manufacturer speaking in behalf of the need for adequate materials to process and distribute food—all food in this case being represented by dairy products as one major example. Offhand, it would seem too obvious to mention that there is no use in producing food unless you have the facilities to process and distribute it. Even though everybody accepts this in theory, it appears to be difficult to get this truism applied in practice by many Government officials who have responsibility for providing materials to secure an adequate food supply. We hope the committee will assist in keep Government officials aware constantly that the production and processing and distribution of food is an integrated network of which every part is just as vital as every other part; a breakdown at any point in this network means that the consumer—military or civilian—does not get the food, and it also means that the problem eventually backs up to the point of production, namely the farmer. When products leave the farm they must be handled by a vast industry which includes many thousands of plants, many millions of employees, and billions of dollars. The value of food as it reaches the consumer is represented about half by production and about half by processing and distribution.

Government officials are willing to state for the record that the production, processing, and distribution of food are defense-supporting and therefore essential. However, there appears to be much discrepancy between such statements and the actual allotments of materials for food production, processing, and distribution.

Those of use who produce the equipment and supplies for the processing of milk and its products do not come before the committee with any specialized complaints or pleas in our behalf. In saying this I do not mean to imply that we have not had difficulties nor that we will not face more difficulties. We will continue to solve as many problems as we can by ourselves. We are using substitutions wherever possible. We are also exercising ingenuity and resourcefulness in conducting our manufacturing operations and in meeting civilian and military requirements. When we have special hardship cases, we exhaust every possibility of relief through the proper Government agencies. But all along the line we do need a basic recognition of the equal essentiality of food processing and distribution with food production on the farm.

Incidentally, food processing equipment is in a much worse position on materials than farm machinery, which, according to the testimony of the Secretary of Agriculture, reached an all-time high in the first half of this year, was at about the 1949 level in the third quarter, and is expected to be cut in the fourth quarter to only about 80 percent of the 1949 level. Controlled materials allotted for food processing equipment in the fourth quarter of this year are only about half the amounts used on the average during a similar period in the 3 years in 1948, 1949, and 1950. Further we are advised that the critical materials allotted to take care of food processing will go down rather than up during the first three quarters of 1952. This kind of outlook brings up the crucial question of lead time, which we seem to have difficulty in getting recognized in actual allocations practice although nearly everyone will concede the point in theory. If today a vital piece of equipment in a dairy plant breaks down beyond repair, it is simply not possible for the plant manager to call up a supplier and have another delivered the next day. Dairy processing equipment is made on a semicustom basis, and large stocks of finished machines cannot at any time be held in inventory as they may be in mass production, standardized item industries. The dairy plant manager must anticipate his needs for equipment and place his orders normally 2 to 4 or 5 months in advance; the equipper-and-supplier in turn must make up his production schedules and place his orders for the materials with which to do the manufacturing; there must be some assurance that all the required materials will actually be available to him before he can start making the piece of equipment.

Lead time in our industry varies of course with the type of equipment involved. In general lead time is being greatly lengthened because of uncertainties as to whether materials actually will be forthcoming. The normal 2 to 4 or 5 months' period before receipt of order and delivery of machine is already becoming 6 to 12 months. Sometimes the uncertainties involving materials are due to not knowing soon enough what a final NPA allotment will be; sometimes they are due to inability to obtain acceptance of an order placed in accordance with an NPA allotment, from an overbooked steel or copper or aluminum mill; sometimes a general uncertainty is aggravated by final lack of just one small but vital piece of material or a single component without which a large piece of equipment cannot be completed. It is a most fundamental fact that actions taken today by the agencies that control critical materials will determine whether or not it will be possible 6 or 9 or 12 months hence to process and distribute milk and other foods.

It would seem that there should be no difficulty in persuading Government officials that the factor of lead time in the production of all food processing and food distributing equipment must always be taken into consideration. And yet we are sure that lead time is not realistically being considered when we hear in the Government statements that there is no foreseeable danger in food supply because dairy plants are not reported as having to close down or unprocessed milk to be dumped in the ditch or the gutter.

The final point that I would emphasize is the depressing outlook for the next 6, 9, or 12 months for controlled materials. As you know, the Controlled Materials Plan was put into effect gradually beginning July 1 of this year. Controls orders are issued every day,

and it appears that critical materials will not really be under full control until after the first of the year. So far our particular industry has been able to get along reasonably well. Now, however, the story changes as our allotments for each quarter are progressively lowered. The contrast between recent past and immediate future is due to a number of hard-boiled facts:

1. One is that tremendous quantities of critical materials were brought up before the Controlled Materials Plan was put into operation.

The CHAIRMAN. In that connection, with the purchases made to be delivered in the future, or was it commodities and steel already produced?

Mr. GIRTON. I think it was both.

And I gather from both industry and Government reports that very considerable quantities of critical materials are still being used up now by industries that cannot from the national viewpoint be considered as essential as those in the production, processing, and distribution of food. Members of this committee are no doubt much better acquainted than I am with the types of uses that have been and still are eating up large quantities of critical materials without adequate justification of essentiality.

2. Another inescapable fact is that the direct defense program is not step by step moving into the mass-production stage. We are told from all sides repeatedly that the amount of critical materials to be required for military use will continue to increase for a considerable time, irrespective of international developments. No patrioatic American wants to take away from the military any materials that are essential to complete its program, but the increasing "take" of critical materials by the military is a fact that must be considered in determining how the remainder of our critical materials are to be divided up among civilian users. We hope that the Government officials who have to make these decisions will—in practice as well as in theory—discriminate sharply between uses of critical materials that are really essential and those which only speciously claim to be essential. Judgments that are made by Government officials are now a matter of life and death to industries in the food field because we are entirely dependent upon the allotments of critical materials granted to us by the controls agencies.

In closing I would like to highlight the points which I have been trying to bring out, namely:

Point 1. The production, processing, and distribution of food is a complex and integrated system in which every essential part is just as important as every other part, and the total minimum requirements of which are defense-supporting and indispensable to the functioning of our Military Establishments, defense production operations, and the fundamentals of our civilian life.

Point 2. Taking the dairy industry as an example of the food field generally, we are confronted with realities of lead time which must be taken into consideration by Government officials if we are to continue to make available the minimum amounts of equipment and supplies necessary to see that the foodstuffs produced are also processed and distributed so that they reach the consumer, whether he is a soldier or a civilian.

Point 3. Intensified materials shortages and a tightening of controls make it much more imperative in the future than has been the case in the past that Government officials translate into daily program operations the principle that the production, processing, and distribution of food be accorded a priority status immediately after the very essential requirements of our direct military program.

Gentlemen, speaking as a manufacturer of dairy processing equipment and also in behalf of food processing and distribution equipment generally, I think I can say in all earnestness that we are here today in the public interest, not merely our own. We hope that this committee will continue its highly effective and greatly appreciated work of keeping Government agencies alert to the ever-present need of maintaining the Nation's lifeline of food.

The CHAIRMAN. To what extent did you have to curtail production because of lack of steel, copper, and other essential materials?

Mr. GIRTON. Our production has been curtailed about 80 percent of what we are considering a base period, 1948, 1949, and 1950.

The CHAIRMAN. Have you made an inventory, as have others, of the equipment that you have on hand for distribution, in contrast to a similar period of last year?

Mr. GIRTON. At no time is there any appreciable amount of dairy processing or as far as I would know other food processing equipment in inventory.

Dairy processing equipment is largely custom made. A pasteurizer is a certain product but it has certain variations that are made to order.

The CHAIRMAN. That is what you mentioned in your very fine statement.

Senator YOUNG. These are some figures I received from a farmer in North Dakota, whom I met while I was out there recently, showing the terrific discount as a result of the poor weather there and the shortage of machinery.

(The document referred to follows:)

[From the Cargill Market Letter, Minneapolis, Minn., September 19, 1951]

The following are some sales of low-grade durum which were sold on the Mpls. Grain Exchange today.

SG HAD	59. 7	14.5 mt.	27 dmg.	10.90 prot.	1. 75
SG AD	58. 3	14.8 mt.	musty	10.40 prot.	1. 50
SG Dur.	58. 6	13.8 mt.	23 dmg.	10.80 prot.	1. 70
3 Dur.	60. 4	15.8 mt.	5 dmg.	11.00 prot.	1. 70
SG Dur.	59.	14.4 mt.	23 dmg.	13.30 prot.	1. 72
SG Dur.	58.	14.8 mt.	9 dmg. lt. smut	10.50 prot.	1. 65

The CHAIRMAN. Mr. Noble.

STATEMENT OF WILLIAM R. NOBLE, NATIONAL RETAIL FARM EQUIPMENT ASSOCIATION, WASHINGTON, D. C.

Mr. NOBLE. My name is W. R. Noble, representing the National Retail Farm Equipment Association.

The National Retail Farm Equipment Association is composed of more than 17,000 farm equipment retailers located in rural communities throughout the United States. The membership includes dealers

located in every State and every sizable agricultural area of the Nation is covered by their service.

The farm equipment retailer, as all of the members of this committee are aware, sells and services farm machinery and equipment for the farmers in his local trade territory. He must keep in stock a supply of new machines, attachments, and repair parts necessary to render immediate service to farmers. He must also maintain a repair shop adequate to make immediate repairs on machinery particularly during planting and harvesting seasons. He is of course in touch daily with farmers and tries to keep currently informed as to their machinery needs.

We remind the committee that the agriculture of the Nation has become almost completely mechanized. This means, of course, that the farm equipment industry must keep a continuous flow of machinery, attachments, and repair parts moving to the farm level to keep the agricultural plant in continuous operation. As crop goals are increased, the supply of machinery must be stepped up.

The Bureau of Agricultural Economics of the United States Department of Agriculture made the following report in the September issue of its monthly publication, the Agricultural Situation:

> The Nation's farmers will need about 15 percent more farm equipment in 1951 than they did in 1949. This is based on a recent survey made by the Production and Marketing Administration in about 3,000 counties. High on the list of needs are heavy wheel tractors, manure spreaders, tractor cultivators, field crop sprayers and dusters, beet harvesters, field and forage harvesters, cotton pickers and strippers, side delivery rakes, pick-up wire and twine balers, and irrigation equipment.

This report made by the United States Department of Agriculture confirms the results of a survey taken during the past 30 days from the entire membership of this organization. Our questionnaires were mailed directly to each of our more than 17,000 dealer members. We have received more than 7,000 replies. The results confirm the Department of Agriculture estimate that farmers will require, during the next 12 months, at least 15 percent more farm equipment than they did in 1949.

In this survey, the dealers were asked to compare their present inventories with their inventory of a year ago. About 47 percent stated that their inventory was above that of a year ago, 36 percent reported an inventory less than that of a year ago, and 17 perecent stated that their inventory was about the same as a year ago. Of those reporting a higher inventory than a year ago, the average increase is 20 percent. For those reporting a lower inventory, the decline varied from 5 to 50 percent with an average decrease in inventory of about 25 percent.

To summarize the inventory situation at the dealers' level at the present time, we find that about half of the dealers have an adequate inventory to service their farmers on a satisfactory basis. About half of the dealers, on the other hand, need an increase in the rate of flow of machinery to continue to render adequate service. On the average, inventories are about the same as a year ago.

In this setting, the farm equipment dealers of the Nation view with alarm the recent actions of the National Production Authority cutting back the rate of production of farm machinery and equipment. We learned during the last war, that the rate of production and deliveries can be quickly reduced but that it takes a long time to bring produc-

tion back up to a level adequate to fill the needs of food and fiber production.

To indicate just how serious the cut-backs in production will be, we quote to you from a letter dated August 10, 1951, to the Administrators of the National Production Authority from Mr. J. L. McCaffrey, president of International Harvester Co., relative to the present production outlook for that company:

> Now, as to the effect that the recent allocation of steel and other metals will have on the International Harvester Co.—and I asume a similar effect will be had on other manufacturers—I should like to explain just what the final results in production will be. In the case of the International Harvester Co., it takes 145,000 tons of steel and other metals to match this steel in production to run full capacity for one quarter. In the third quarter of this year, as per instructions from NPA, our company applied for 116,771 tons of steel. The allotment on CMP 4–B's was 101,551 tons, 87 percent of the quantity applied for or a shortage of 15,220 tons.
>
> In order to make up some of this shortage in allocation, steel and steel products were used from our own inventories and from those of our suppliers up to 18,000 tons, making the total use of steel in production in the third quarter 119,551 tons. For the fourth quarter, according to NPA instructions, we applied for 122,232 tons ond the allocation on CMP 4–B's was 71,086 tons or 58 percent—a shortage from the requested allotment of 51,146 tons.
>
> Since we understand that the full allocation on the CMP 4–B's has not yet been granted our industry, we are told we can expect a total of 81,241 tons under the present allocation regulations. This means a reduction for the fourth quarter as against the third quarter of steel actually used from the CMP 4–B allocations and out of inventories of 38,310 tons. So, the production of complete machines and repair parts in the fourth quarter, considering the full allocation of steel and other metals up to 81,241 tons, will be reduced 32 percent from the third quarter, or a reduction of about 44 percent from full capacity. Inventories are no longer available to supplement this allocation.
>
> If this sort of a reduction in allocation of steel and other metals to the farm equipment industry is necessary for the proper rearmament program and for the protection of this Nation as a whole, then the Harvester Co. and others in the farm equipment industry can have no serious objection. However, if the food and fiber goals which have been set by the Department of Agriculture are to be met, and are to be considered just as necessary to the defense of our country as military equipment, then I can say to you very frankly that with this reduction in production of farm machinery and repair parts the food and fiber goals cannot be met. I do think that before it is too late something should be done to increase allocations for the production of farm machinery if sufficient food and fiber is to be provided.

We have checked with other companies producing farm machinery and equipment and find that their production is being reduced in about the same proportion. We point out to you that these reductions are coming at a time when manpower on farms is lower than it has ever been in modern times. It comes also at a time when the United States Department of Agriculture is asking farmers to increase food and fiber production.

It is the decided opinion of the members of the National Retail Farm Equipment Association that unless production is restored immediately to the level recommended by the United States Department of Agriculture and retained at that level, there will be a serious shortage of farm machinery, attachments, and repair parts that will begin to have a damaging effect on the Nation's agriculture by spring of this next year. If this situation is allowed to continue until spring, the 1952 crop year will be seriously impeded as action at that time will be too late for real benefit to farmers in 1952. This same fear is shared by others close to the farm situation. We have submitted as an attachment to this statement a reprint from the September 19, 1951,

issue of the Des Moines Register setting forth the views of J. S. Russell, farm editor of the Register. I believe you will find that statement interesting and informative.

I would like to point out the main purpose of our statement.

As I say, we have more than 17,000 retail companies in our organization. These are the farm-equipment dealers who sell and service the machinery that is manufactured by these companies that you heard from earlier in the morning.

Because of statements from several sources during recent weeks about excessive inventories, we took a survey of our entire 17,000 members throughout the United States.

Now, bear in mind this survey was taken right down at the dealer level. Seventeen thousand questionnaires were sent out to these dealers. We received replies back from 7,000 dealers, which we think is a very good return.

Before I give you the results of that survey, I would like to refer to a survey taken by the United States Department of Agriculture. I refer you to the Bureau of Agricultural Economics Agricultural Situation, the September issue, which is their monthly publication, in which they state they have recently taken a survey and that survey indicated that farmers will need about 15 percent more farm equipment in 1951 than they did in 1949. They based that on a survey of 3,000 counties through their Production and Marketing Administration.

In that setting I would like to give you the results of our survey, just one part of it, and that is on inventories.

Now, in this survey the dealers were asked to compare their present inventories with their inventory of a year ago. The replies were based on inventories during the month of August.

About 47 percent stated that their inventories were above that of a year ago, 36 percent reported an inventory less than a year ago, and the other 17 percent indicated that their inventories were practically the same as a year ago.

Of those reporting a higher inventory than a year ago, the average increase is 20 percent above their inventory of a year ago. For those reporting a lower inventory, the decline varied from 5 percent to 50 percent below their inventory of a year ago with an average decrease in inventory of about 25 percent.

Now, summarizing this situation at the dealer level at the present time, we find that about half of the dealers have immediately an adequate inventory to service their farmers on a satisfactory basis. About half of the dealers on the other hand need an immediate increase in the rate of flow of machinery, attachments, and parts to continue to render adequate service.

Now, I want to remind the committee, as it is aware, that agriculture has become almost completely mechanized. It requires a continuous flow of machinery and attachments and parts, right on down through the channels to the farmer. At any time that flow is broken or slackened, it has an almost immediate effect upon agricultural production. At any time there is an increase required in crop goals there must be a step-up, and particularly in repair parts and attachments.

Therefore, in this setting the farm-equipment dealers of the Nation view with alarm the recent actions of NPA in cutting back the rate of production of farm machinery and equipment.

The dealer has learned and the farmer learned during the last war that the production can quickly be cut down, but once it has been cut down it takes a long, long time to build it back up after the Government allocation agency has taken action to correct the cut-down. The manufacturers testifying earlier this morning explained why that was.

One more point I would like to emphasize: Some officials in the National Production Authority have stated that inventories of farm equipment are excessive. I am not being critical of them because I realize they have gained their impression through the press, including the Kiplinger letter and Wall Street Journal, which have carried stories to that effect. We have checked those stories and have found that they have based their statements on discussions with a half-dozen dealers in some sections of the country. For that reason we made this survey because we do not feel that any such conclusion should be based on talking to one or two people.

We submit to you that this survey was based on 7,000 replies. We have those replies and we have other information, and if any of the staff members of the committee would like to sit down with us we would be glad to go over the whole survey with them.

The CHAIRMAN. Would you say the 7,000 responding represent a fair cross-section of the country as to location, number, size, and so forth?

Mr. NOBLE. They are very representative of size and geographic area. We have some replies from every State in the Union.

The CHAIRMAN. And the number of tractors, and so forth, that they handle?

Mr. NOBLE. That is right.

Just one more point. Attached to this statement is a reprint from the Des Moines Register of September 19, by J. S. Russell, the Register's farm editor, whom I understand in the Midwest is well known for being in immediate touch with the farm pulse in that area. I think you will find his statement on the farm-equipage shortage situation in his Iowa area very interesting and revealing.

The CHAIRMAN. That will appear in the record at this point.

(The document referred to is as follows:)

[From the Des Moines Register, September 19, 1951]

FARM-EQUIPMENT SHORTAGE FEARED—STEEL CUT-BACK IN 1952

(By J. S. Russell, the Register's farm editor.)

WASHINGTON, D. C.—Prospects are poor for farmers to get all the farm machinery and other equipment they need for all-out farm and food production in 1952.

Unless there is a reversal of the present trend at high levels here in Washington, chances are that Iowa farmers will begin to feel the pinch in the shortage of equipment before this time next year.

In spite of all the talk about how essential is the production, marketing, processing, and distribution of food in the present defense drive, the allocations of steel for agriculture are inadequate.

The talk here is that steel allocations will be cut-back in early 1952 even below levels set for the fourth quarter of 1951. Such a move would put farmers back in somewhat the same boat as they were in the early days of World War II when

they were treated like poor relations and had to take the leavings after the military and a lot of other folks had had the lion's share of steel.

Right now the farm-equipment industry is to operate under an allocation of 578,000 tons for the last quarter of 1951.

The United States Department of Agriculture originally had said that between 2,700,000 and 3,000,000 tons of steel annually would be needed to meet the requirements of agriculture.

THE NEED

A recent survey by the Department indicated a need for 115 percent of the new machinery received in 1949 and 120 percent of repairs and parts. This would require 793,500 tons of steel per quarter or about 37 percent more than the current allocation.

The present outlook is for the supplies of medium to heavy tractors, disk harrows, corn planters and cultivators, hay balers, combines, corn pickers, manure spreaders, fertilizer distributors, and many articles of barn, barnyard, and livestock and poultry equipment to be in scarce supply in Iowa next year because these are the items which farmers have said they need to have increased.

Secretary of Agriculture Brannan and his associates in the Department of Agriculture are representing the farmers and the farm equipment industry in presenting demands for enough equipment for producing food.

They say they have made progress in "selling" the needs of agriculture to Chief Mobilizer Charles E. Wilson and the other high moguls in the administration but their salesmanship nor their demands have produced the steel as yet.

Brannan announced his intention to "raise unremitting hell" until he gets the job done—this was just after Ellson had told of the impending pinch in steel.

NITROGEN NEED

Some additional steel will be needed to provide for more capacity to manufacture, nitrogen fertilizer. That seems to be scheduled but it will be 2 years before any new nitrogen plant could be in production so that would mean the crop of 1954 would be the first that could be benefited.

Brannan knows that he is likely to be on the spot if the needs of agriculture are not met. The firing of Ralph Trigg and his replacement as head of the Production and Marketing Administration by Gus Geissler was said to have been due in part to Brannan's desire to strengthen the position of his Department as claimant agency for agriculture.

Farmers mostly are not now short on equipment but agriculture has been mechanized to a point where it takes more replacements than ever and more parts and repairs to keep farms supplied. The South with a big demand for cotton pickers and strippers may be hit even harder than the Corn Belt.

The need for increased supplies over 1949 was indicated in the PMA survey for a number of items essential to farming in Iowa and the Corn Belt.

WANT TRACTORS

Farmers said they needed 23 percent more heavy tractors and 10 percent more medium tractors than they received in 1949. Other items showed a need for increases over 1949 as follows:

Disk harrows, 19 percent; corn planters, 17 percent; manure spreaders, 22; fertilizer distributors, 11; grain drills, 17; grain combines, 6 to 22 depending on size; field and forage harvesters, 29; hay balers, 25; corn pickers, 19 and substantial increases in such items as water systems, barn and barnyard equipment, feeders, waterers, etc.

The CHAIRMAN. Was your estimate based on quantity or value?

Mr. NOBLE. We asked for the dollar-volume inventory of farm equipment, attachments, and repair parts as of today compared with their inventory as of a year ago. That was about the only way that we could be sure that all of them answered on the same basis and that they would answer.

You know a retailer out in the rural community where they are all located is not going to take the time, or does not have the time, to go into considerable work and a lot of detail.

Now, we can go back—and we will be glad to if the committee would need the information—and get a unit survey on certain key machines.

The CHAIRMAN. That might be of more assistance. Would you know the extent to which farm machinery has gone up?

Mr. NOBLE. There has not been too much increase in price. We might use the Office of Price Stabilization formula that they use almost across the board. They allow for a 10-percent increase in price over the base period. If we allow a 10-percent increase, the situation is considerably worse than we have shown it to be in the survey here.

We wanted to be completely fair about it; so we have presented our percentage figures on a straight dollar comparison this year and a year ago.

The CHAIRMAN. But it might have been more apropos to make it on a unit basis than on value.

Mr. NOBLE. If further information is needed by your committee, we shall be glad to obtain it for you.

The CHAIRMAN. Is there anything else that you desire to add?

Mr. NOBLE. That is all I have, sir.

The CHAIRMAN. Thank you very much, sir.

Very well, Mr. Keepers.

STATEMENT OF W. FLOYD KEEPERS, EXECUTIVE SECRETARY, BARN EQUIPMENT ASSOCIATION AND NATIONAL BARNYARD EQUIPMENT COUNCIL, CHICAGO, ILL.

Mr. KEEPERS. I am Floyd Keepers, executive secretary of the Barn Equipment Association and the National Barnyard Equipment Council of Chicago.

The industries which I represent manufacture the labor-saving choretime equipment used in dairy barns and other farm service buildings and in the fields and feedlots where meat is produced. Many of these companies also manufacture poultry equipment, and the statement I shall make will cover that field, too, since that industry is unorganized.

As pointed out to members of this committe by Mr. D. Howard Doane on June 5, in his report on a survey showing the importance of barnyard equipment in national defense, 60 percent of all farm work—about 13 billion man-hours—is still done with the hands or with hand tools, and in livestock production approximately 75 percent of the work is hand labor. You are all aware of the severe labor shortage on farms. This is extremely serious on livestock and dairy farms and on poultry farms, all of which need trained men. Inexperienced men may succeed fairly well in field work. They do not have the skill or the training to feed and manage meat- and milk-producing animals, and the mistakes they make can be very costly to a Nation which is in need of more food. If we are to do the job which Mr. Geissler has pointed out, we must provide modern equipment for the producers of the essential protein foods—meat, milk, and eggs.

We have pointed out to the House Committee on Agriculture that production of barn equipment has declined since 1947, not because of any lack of need on the part of farm producers but due to the slide-off in milk prices in that period. A study of census figures shows that a backlog of demand for equipment has been built up, and to date this

segment of the industry has not been able to secure the materials it needs to meet the demand.

There is an increasing need for more milk. Population has increased from approximately 140 million at the beginning of World War II to some 152 million now. Birth rate is at an all-time high. The percentage of young children is greater than ever before. This accounts for the great demand for clean whole milk. If our dairymen are to meet this demand, they must have the steel equipment to care for more cows and do it with less labor.

In the meat-producing field, the use of labor-saving equipment is comparatively new. Study of census reports indicates that the demand is growing by leaps and bounds, and it should, since the use of self-feeders and waterers increases the efficiency of producers and saves huge amounts of feeds. Mr. Doane states that mechanization of livestock production and chore work could save at least 25 percent of the 10.7 billion hours spent on this type of work annually, or the equivalent of over 900,000 men in the farm labor force.

Equally important is the potential saving of feed. Henry & Morrison, the best authority on livestock-feeding practices, state that self-feeding hogs saves 11 pounds of feed per 100 pounds of gain. If all hogs were self-fed this year, 1,380,000 tons of feed concentrates could be saved. I have been over a good section of the Corn Belt in the past few weeks, and crop conditions indicate that we may well look to the saving of our feed supplies.

Along with self-feeders, meat producers need self-watering equipment to save labor and to help the growing animals utilize the feed to best advantage. Many dairymen still need water bowls for their barns.

Greater mechanization of the livestock industry would increase livestock production with less labor, free workers from chores to achieve greater crop production, permit more efficient utilization of existing feed supplies, and leave enough grain to build up adequate reserve supplies.

Poultrymen, like dairymen, have for the past few years been handicapped by extremely low prices, and their inability to purchase the equipment they needed was reflected in the curtailed production shown in census reports. Now their well-worn equipment is overdue for replacement. Food-production goals call for increases from our poultry farms that will be hard to achieve unless the poultrymen can get the sanitary fountains, feeders, nests, et cetera, to help not only in increasing production but to reduce mortality, save labor, and save feed.

In 1949 the poultry industry produced 10.4 percent of the total agricultural income. That is considerably more than "chicken feed" and proves the importance of this segment of the agricultural equipment industry.

In the past couple of years new types of equipment have been perfected to reduce labor in meat and milk production. Chief among these are gutter cleaners for dairy barns, mechanical feeders for poultry, and crop-drying equipment. These are new items with lithe historical pattern of material use. Nonetheless, the demand for them is very great and our industries must have some special help if we are to provide this equipment to help replace men who are leaving the farms for the service or for defense producing factories. Our engineers are perfecting other labor-saving items that should be made

available, but unless materials are allotted, these items cannot be made.

We shall not burden you with statistical evidence of the production of chore-time equipment. We have provided this information for United States Department of Agriculture, for the Farm Machinery and Implements Branch, National Production Authority, and Defense Production Administration. We have surveyed our industries and find that approximately 63,927 tons of steel were used in the production of barn equipment in 1950. This was only about 2.32 percent of the amount used in all farm equipment, or only about 0.088 percent of the Nation's production. The barnyard equipment industry used only 107,931 tons, again a very small amount when compared with the Nation's production for the year of 96,713,276 tons. We have no figures on the material use of the poultry industry, but assume it to be roughly about 100,000 tons.

Manufacturers of labor-saving chore-time equipment have worked closely with Government control authorities in supplying current information on production problems and material needs. Throughout 1951 we have been seriously handicapped by shortages of materials. Since many of these manufacturers are small, they have not been able to command the consideration their products merit in the distribution of materials. In the barnyard equipment field, some of the largest producers are companies which have been in operation only 5 to 7 years. These companies do not have a historical pattern of purchases from steel mills; in fact some of them have never been able to buy regularly from mills but have had to buy from warehouses or other sources offering steel. Since the fabrication of steel into this type of equipment does not offer large margins of profit, we have not been able to pay black-market prices for material. We cannot do it now.

In the third quarter only a few of our manufacturers were able to buy all of the steel allotted to them by NPA. This resulted in lost production which can never be regained. It has resulted in shortages of equipment in dealers' hands and shortages on farms where the equipment is so greatly needed.

The situation in the fourth quarter of 1951 may be even worse unless the situation at mills clears up this week, as has been anticipated by NPA. Our most recent survey of the barnyard equipment industry, made 10 days ago, indicated that approximately 40 percent of the manufacturers did not have orders placed for the fourth quarter. The situation among manufacturers of barn equipment is not quite so serious since they use a considerably wider range of forms and sizes.

Nevertheless, many of these companies are running into shortages of certain materials and are not able to produce some of the essential items farmers need now when they are getting their barns and facilities in shape for the heavy winter producing season. NPA has cooperated with the barn equipment industry in giving some special quotas of steel for the manufacturers of barn cleaners. These allotments have helped in the third and fourth quarters, but unless they are increased and extended into 1952, production of this equipment cannot begin to meet the needs of dairymen. The same situation exists in the manufacture of mechanical poultry-feeding equipment. Some help has been provided, but it must be extended further.

Our industries are heavy users of galvanized sheets and the critical shortage of zinc is reflected in the refusal of mills to accept our orders. While every possible effort is being made to substitute other material for galvanized sheets, we must have a high percentage of this type of material for our equipment. No other type of coating will resist the animal acids of barn and feed lot where our equipment is used. We will continue to push for the special consideration we need in order that food production goals may be achieved.

The industries which I represent have been constantly aware of the unfilled needs of milk and meat producers for mechanical equipment. Other farming operations—plowing, seeding, harvesting, and crop handling—have been mechanized to a far greater degree than the chore-time jobs. Today interest is directed to improved practices in the barn and feed lot and demand for labor-saving equipment is far above supply. We have noted the survey which PMA is using as a basis for its request for increases in farm machinery and equipment production in 1952, and we do not feel that this survey is an entirely accurate one so far as chore-time equipment needs are shown.

Our own surveys indicate a considerably greater demand for labor-saving, chore-time equipment and we believe that a scientific market study, made by a trained field staff, would give a much better picture than one obtained through county farmer committeemen in some 3,000 counties on a list of some 90 items. We shall continue to urge the Secretary of Agriculture to have such a study made and we believe it will support our claim that chore-time equipment needs for 1952 will be at a level of approximately 140 percent or more of the 1949 purchases as reflected in the PMA report.

Our inventories are at a minimum and there are no excessive stocks of equipment in the hands of dealers. With barn equipment sales, most equipment is ordered for a definite location. In other words, the farmer plans a barn and buys the equipment through the dealer direct from the factory to fit his particular job.

With self-feeders, waterers, and poultry equipment, shipments to dealers move immediately into the hands of producers. Unfilled orders support our request for greater allocations for 1952. The Nation could suffer in reduced food supplies if any further reductions are made in allocations of materials to manufacturers of chore-time equipment. We got only 85.3 percent of the material needed for barnyard equipment in the third quarter of this year. Our allotments for the fourth quarter are for 80 percent of our needs, and, as I pointed out, 40 percent of that is not even replaced yet by the mills.

The CHAIRMAN. When you say 85 percent of what you needed, how does that compare?

Mr. KEEPERS. That is the amount built in the base period of last year.

The CHAIRMAN. Did you get as much or more during the first and second quarter of this year than you got during the fixed base period you referred to?

Mr. KEEPERS. I do not have the figures, but I would assume we got about the same, but in the third quarter we lost a lot of tonnage that we were unable to place and in the fourth quarter we got an awful lot not placed at all primarily because of the fact that we need gal-

vanized sheets and the zinc situation is very bad. Preliminary allotments for 1952 are only partial ones so we can continue to hope for further assistance in the months ahead.

The equipment I am talking about, Senator, is the tools these farmers must have if they are to produce what we need. If we can do this more efficiently, we can help with this job, as was pointed out by Mr. Doane.

The CHAIRMAN. I was very much impressed with Mr. Doane.

Mr. KEEPERS. He did a good job.

We will continue to do the best possible job we can in supplying equipment. We want to keep our small industries operating. In a good many instances our manufacturers are the largest in their small communities and a lot of families depend on these industries for their livelihood.

I am sorry that Senator Hickenlooper is not here because many of my companies are in his State and he is acquainted with them and he knows they are in those small, county-seat towns.

The CHAIRMAN. I think he mentioned that, if not by name.

Mr. KEEPERS. He mentioned one or two by name in the last couple of days.

All of us are dependent upon their continued production if milk, meat, and poultry producers are to supply our Nation's food needs in the year ahead.

I have tried not to burden you with a long statement.

The CHAIRMAN. We appreciate that very much.

All right, Mr. Tawney.

STATEMENT OF JAMES A. TAWNEY, LEGAL COUNSEL, GRAIN AND FEED DEALERS NATIONAL ASSOCIATION, WASHINGTON, D. C.

Mr. TAWNEY. My name is James A. Tawney, counsel for the Grain and Feed Dealers National Association in Washington.

Mr. Chairman and members of the committee, members of this association, in whose behalf I am addressing you, appreciate this opportunity to present a most serious threat to the grain and feed business, as well as to the farmers of the country which will result, after September 30 this year, from a definition given by the National Production Authority of grain elevators and grain storage facilities as mere commercial structures.

That definition was issued September 5, 1951, in an interpretation of the meaning of the term "industrial plant" in NPA construction regulations under the Controlled Materials Plan. The net effect of it will be that virtually no public grain warehouses, no country elevators, terminal elevators, or annexes to such structures, using steel or copper in their construction, can be erected.

The reason for this is that by virtue of their classification as mere commercial structures, owners or builders can only self-authorize up to 2 tons of steel and 200 pounds of copper per calendar quarter for their construction.

The same will be true of new feed-mixing or grinding plants, or additions to such structures.

It is our contention that this committee should concern itself very actively with this problem. An effort has been made by our associa-

tion and by certain individual members of the association to obtain a change in this interpretation but without avail.

The CHAIRMAN. When they classified you as "commercial structures," what other buildings are in that class?

Mr. TAWNEY. Stores, garages, office buildings, and similar things of a strictly commercial nature.

We have been told by responsible NPA people that they have considered all the factors involved and it would be no use to discuss it further. We have discussed the matter, too, with Department of Agriculture officials. Unlike NPA, they apparently recognize the seriousness of the situation and they, too, have appealed to NPA for a change in the ruling but without success, as far as I know.

At this point, Mr. Chairman, I would like to have inserted in the record of these hearings a copy of the ruling or interpretation.

The CHAIRMAN. Without objection that will be placed in the record.

Mr. TAWNEY. It is not necessary to insert the entire interpretation.

(The document referred to is as follows:)

OFFICIAL NPA INTERPRETATION

Distinction between industrial and nonindustrial plants, factories, or facilities for purpose of construction authorizations and allotments of controlled materials after October 1, 1951, beyond 2 tons of steel-200 pounds of copper, and 25 tons of steel-2,000 pounds of copper pursuant to CMP 4–C.

An industrial plant, factory, or facility is a building, structure, or project designed or intended for use in the production, manufacture, assembly, or processing of products or articles, including mining and extractive operations.

The term includes the following types of buildings, structures, or projects when an integral part of the production, manufacturing, assembly, processing, or mining and extractive operations; generating plant, railroad siding, loading platform, storage warehouse, or repair shop, if such buildings, structures, or projects are designed and intended for, and maintained and operated in connection with, such production, manufacturing, assembly, processing, or mining and extractive operations.

The term "industrial plants, factories, or facilities" as used in connection with NPA Order M–4A and Direction 1 to CMP Regulation No. 6, does not include the following: commercial buildings, such as wholesale and retail establishments for the storage, distribution, or sale of products or articles; administration buildings for any enterprise; office buildings; lofts; warehouses (except as indicated above); * * * fishing, agricultural, or dairy operations (excluding the processing, packaging, and bottling of fish, food, and dairy products); * * * grain elevators, or grain or food warehouses; * * *

These listings are illustrative and not all inclusive.

The CHAIRMAN. Does that not classify elevators as a storage warehouse?

Mr. TAWNEY. Conceivably, Mr. Chairman, if NPA would agree with us, the term "storage warehouse" is broad enough to include grain elevators by implication in the industrial category.

The CHAIRMAN. I cannot see the difference.

Mr. TAWNEY. I agree, but they say otherwise.

Upon close examination I am sure you will recognize it as purely arbitrary, capricious, and without foundation in fact or logic. You will note, too, that all the adjuncts of grain elevators or grain storage facilities, namely railroad sidings, loading platforms, and "storage warehouses" are classed as industrial, but "grain elevators or grain or food warehouses" are not so classified.

This would appear utterly inconsistent with the industrial classification given to storage facilities. Further, it overlooks completely

the nature of grain elevators and many types of grain-storage facilities which, as you so well know, are strictly industrial plants by the very nature of their operations.

Again, Mr. Chairman, I would like to read into the record the following telegrams I have just received on this subject, and, finally, appeal most strongly to this committee to take whatever action it deems appropriate to bring some sense into the administration of this phase of the Controlled Materials Plan by the National Production Authority and other agencies concerned.

The CHAIRMAN. Might I not suggest to you, if you will, that you furnish me with a list of what they classify as "commercial buildings" and "industrial buildings"?

In other words, you stated here that storage warehouses are considered as industrial facilities, loading platforms, railroad sidings, and things of that kind and if you could make up the list of what they classify as industrial buildings, in contrast to commercial, it might assist me in examining Mr. Fleischmann tomorrow when he comes up before us.

Mr. TAWNEY. Yes, I shall be happy to do so.

The first telegram is from the President of our association.

The CHAIRMAN. You might put those in the record at this point if you do not mind.

Mr. TAWNEY. I will merely comment that he asks for assistance of the committee.

Urge Bowden or Tawney appear Senate Agricultural Committee hearing tomorrow to object to NPA classification of grain-storage facilities as commercial. Suggest Department of Agriculture could act as certifying agent so there could still be control over unlimited use of scarce materials.

The other wires are from the Bunge Corp. of Minneapolis and the Ibberson Co. of Minneapolis. The latter is a large grain-warehouse building contractor.

The CHAIRMAN. Do you mean in the building of elevators?

Mr. TAWNEY. In the building of elevators and grain warehouses. They have felt the impact of this thing too.

These two wires read as follows:

Construction of additional grain warehouses is necessary in the interest of national defense due to request for larger production of all grains and increased price supports for 1952. Industrial classification will get more grain warehouses built and within limits of controlled materials under self-authorization Use of controlled materials is necessary but bushelwise the quantity is small. Although must exceed 2 tons of steel.

BUNGE CORP.
WM. KELLOGG.

For your information the T. E. Ibberson Co. is an industrial contractor specializing in the construction of grain-elevator and feed-mill plants. We are governed by the laws of the Industrial Commission of the State of Minnesota. We pay insurance on labor according to laws made by them and pay taxes in several States as a corporation doing industrial building in that State and are controlled by the Industrial Commission of each of these States. A commercial classification for elevators and feed mills works undue hardship on the farmers whose one and only market is the above plant. The average repair job takes from 3 to 5 tons of class A material and a new project from 15 to 20 tons. Present allocations are made for delivery two quarters ahead necessitating at least a 6-month delay before work can be started.

T. E. IBBERSON, CO.

It is unfortunate our time and yours is so limited now. We feel, however, the committee would be fully justified in allotting further time to this all-important subject of adequate materials for construction of grain elevators and other grain-storage facilities.

With that, Mr. Chairman, I would like to introduce the next witness, Mr. Gadberry, whose firm is affiliated with our association. There may be some further facts he would desire to present to you.

The CHAIRMAN. If you desire to place further material in the record, we will cheerfully put it in and have it printed when the record is made up. That is, if there is anything else you desire to add.

Mr. TAWNEY. I think I can give you some supplemental material.

(For material referred to above see p. 326.)

The CHAIRMAN. Mr. Gadberry.

STATEMENT OF W. M. GADBERRY, SALES MANAGER, COLUMBIAN STEEL TANK CO., KANSAS CITY, MO.

Mr. GADBERRY. I represent the Columbian Steel Tank Co. We are a small business. This is a family business.

We employ, normally, about 500 people, about 350 to 400 people are employed on production. Our business is the manufacturing of marketing equipment for oil companies, and especially farm equipment.

Among other things we manufacture the things Mr. Tawney was talking about. Steel elevators. These are steel tanks shipped out to the country elevator.

The CHAIRMAN. Is that a unit itself?

Mr. GADBERRY. They are the storage containers used at the elevator.

As you go through the country in the wheat and corn production areas, most of these structures are circular, concrete structures, or they are buildings of wood covered with corrugated iron, or they are a building with the auxiliary storage made of steel, a circular steel tank, generally 20 to 30 feet in diameter and 40 to 60 feet in height.

The CHAIRMAN. It is that tank that you make?

Mr. GADBERRY. It is that tank that we manufacture.

The CHAIRMAN. Now is your company also curtailed in the manufacture of tanks to store oil and things of that kind?

Mr. GADBERRY. Yes, sir; but not to the same extent. On these grain elevator tanks, there is no allocation for them at all. We have many customers depending upon us for the supplying of these tanks.

The CHAIRMAN. What is the basis for refusal? Is it that something else can be used?

Mr. GADBERRY. Well, actually I have been unable to find out for certain because I have talked to people in NPA about it and they seem to feel that it is a warehouse.

The CHAIRMAN. You mean it comes under the definition of a commercial building?

Mr. GADBERRY. They call it a public warehouse. Actually I think that is a wide stretch of the imagination, but it is that.

The CHAIRMAN. Whether it is public or private, if it is used to store food and things like that, I don't see why they should make any distinction.

Mr. GADBERRY. It is used certainly for the storage of food as the farmer brings it into the town to market his crop.

I want to mention that to you and then if I may I have another problem that I would wish to place before you: In addition to these tanks, which is a comparatively small part of our business but actually in normal times runs into maybe 2,000 tons per year, there is no allocation for that now.

Our farm equipment business in general is the manufacturing of grain bins for farm storage; water hauling tanks; stock watering tanks; self-feeders for hogs, and the various kinds of equipment that are manufactured for use on the farm. These are generally and almost always manufactured of galvanized steel.

In the operation of the present NPA arrangement, in the beginning for the allocation for the third quarter, the allocation was based partly upon the application itself but more especially as we understood it—and we never did know exactly how it was done—in general it was based upon last year's performance.

We are located in Kansas City, Mo., and because of the change in the viewpoint of the steel-producing companies—that is the steel mills who are largely located in the East, many of them have withdrawn the distribution of materials in our area, so we found ourselves in 1950 in what we chose to refer to, for lack of better definition, a sort of a geographical calm. We were outside of the areas where the producers in the East wanted to ship.

The CHAIRMAN. Why was that? Would they get better prices or better freight rates?

Mr. GADBERRY. Some of the mills gave us as an excuse the proposition that the equalization arrangement having been withdrawn because of—well perhaps it was legislative procedure or some sort of a ruling against the proposition of equalizing freight. Mills, for example, in Pitsburgh could not equalize with Chicago. There is not within our area enough of the producers of galvanized steel.

The CHAIRMAN. That is that bill that would have allowed them to absorb freight rates. The basing-point proposition?

Mr. GADBERRY. Yes, it was the basing-point proposition.

As we enter into this CMP third quarter thing our allocation is reduced so that we are unable to produce nearly as many grain bins and other kinds of farm equipment as the farmer needs for the storage of food and production of food.

The CHAIRMAN. So that proposition just adds to your troubles?

Mr. GADBERRY. It adds on to the further troubles.

Then the fourth quarter allocation is 70 percent of the third-quarter allocation and in the meantime we had a flood in Kansas City and we got every sheet of our galvanized material ruined, so we are not doing a good job for the farmer this year, and production of farm equipment is our main business.

I can only say to you that we need some realistic approach to this thing in NPA to make it possible for us to produce the materials needed by the farmers.

The CHAIRMAN. Are there any other industries in your locality that are similarly affected, That is, ones who cannot get the steel because of the so-called basing-point bill not having gone through?

Mr. GADBERRY. There are no others in exactly our situation. We do have a competitor in Kansas City who manufactures similar products but fortunately for them they do have a plant at both Minneapolis

and Galesburg, Ill., so they get materials on a more favorable basis than do we, because of their location.

The CHAIRMAN. In your instance, all they would have to do would be to charge a little more freight, that is all. They could get the same next door.

Mr. GADBERRY. That is right. We would be willing, even though it cost us more, to pay the higher freight rate.

The mills simply say about that situation "Well, you will not buy from us when steel is plentiful."

We have tried to assure them that we would because I do not think we have any choice in the matter, really.

The CHAIRMAN. Is there anything else, sir?

Mr. GADBERRY. Thank you, that is all.

The CHAIRMAN. Is there anybody else who would like to be heard?

The CLERK. Yes, sir; we have Mr. Roberts.

STATEMENT OF W. H. ROBERTS, JR., VICE PRESIDENT, S. L. ALLEN & CO., PHILADELPHIA, PA.

Mr. ROBERTS. I appreciate very much your giving me 2 or 3 minutes on the program. I have no written statement. My testimony is brief and I think very pertinent.

We are one of the smaller manufacturers of farm equipment. We specialize in seeding, fertilizing and cultivating equipment and small tractors.

Mr. CHAIRMAN. How many people do you employ?

Mr. ROBERTS. Around 300.

The burden of my remarks has to do with our difficulty in getting steel, which is not peculiar.

For the third quarter, we were successful in getting approximately 90 percent of our allotment.

The CHAIRMAN. Do you mean of what you asked for?

Mr. ROBERTS. Yes, which was not too bad.

For the fourth quarter, so far, we have succeeded in placing 62 percent of our allotment, leaving 38 percent which so far we have been unable to place with our sources of supply.

The CHAIRMAN. With Pennsylvania producing more steel than any other section of the country, why can you not get more steel?

Mr. ROBERTS. I wish I could answer that question, Senator.

The CHAIRMAN. I bet if those steel mills were in Missouri, Missourians would get more steel than Philadelphia.

Mr. ROBERTS. Well, we are right after them all the time. There is 38 percent we have been unable to replace. Whether we will be able to place it remains to be seen.

In that connection, it is interesting to note that one of our sources of supply tells us that steel is—I am not familiar with all the fine print in the regulations. I make no pretense of being, but there are the various requirements listed under letters in the alphabet. One of our sources of supply says that "We can handle orders only under the letters A to E which is military."

Farm equipment is under K.

Their reply to us was, "You get a letter further up the alphabet, and we will look at your orders."

There are five letters in between K and E.

The CHAIRMAN. Do you know what those other letters are?

Mr. ROBERTS. I do not know.

The CHAIRMAN. I would like to have that in the record at this point.

(The information requested follows:)

NEW SYMBOLS AND ALLOTMENT NUMBERS

[For immediate release, Wednesday, August 22, 1951]

A revised list of allotment numbers and symbols and DO symbols which all Federal claimant agencies, including the National Production Authority, must use in authorizing production and construction schedules and in making allotments of steel, copper and aluminum under the Controlled Materials Plan was issued today by the Defense Production Administration.

DPA said also that the list must be used for authorizations under NPA orders and regulations.

Dated August 21, 1951, the revised allotment and DO symbols and the programs of the claimant agencies to which they apply are:

CMP allotment and/or DO rating symbol	Major program involved	Agency or industry division, etc.
A-1	Aircraft	Department of Defense.
A-2	Guided missiles	Do.
A-3	Ships	Do.
A-4	Tank-automotive	Do.
A-5	Weapons	Do.
A-6	Ammunition	Do.
A-7	Electronic and communications equipment	Do.
A-8	Fuels and lubricants	Do.
A-9	Clothing and equipage	Do.
B-1	Building supplies and equipment for construction-troop.	Do.
B-2	Subsistence	Do.
B-3	Transportation-equipment	Do.
B-9	Production-equipment	Do.
C-2	Department of Defense construction	Do.
C-3	MRO	Do.
C-9	Miscellaneous	Do.
Z-9	Production equipment for certain private contractors.	Do.
D-1	Civil works, Corps of Engineers	Do.
D-2	Panama Canal Company	Department of Army.
D-3	Domiciliary building, Old Soldiers' Home	Do.
E-1	Construction	Atomic Energy Commission.
E-2	Operations (including MRO)	Do.
E-3	Privately owned facilities	Do.
F-1	Construction	Federal Civil Defense.
F-2	Other	Do.
F-3	Construction	Federal Security Administration.
F-4	Other	Do.
F-5	Construction	General Services Administration.
F-6	Other	Do.
F-7	Construction	Veterans' Administration.
F-8	Other	Do.
F-9	Construction	Housing and Home Finance Agency.
G-1	Other	Do.
G-2	Construction	Department of Agriculture.
G-3	Other	Do.
G-4	Construction	Defense Transport Administration.
G-5	Other	Do.
G-6	Construction	Canada.
G-7	Other	Do.
G-8	Shipyard construction, Maritime Administration, Department of Commerce.	
H-1	Construction	Petroleum Administration for Defense
H-9	MRO (order M-46)	Do.
H-2	Other	Do.
H-3	Construction, major plant additions (order M-50)	Department of the Interior. Defense Electric Power Commission.
H-4	Minor requirements including MRO (order M-50)	Do.
H-5	Construction	Defense Minerals Administration.
H-6	Other (order M-78)	Do.
H-7	Construction	Defense Solid Fuels Administration.
H-8	Other	Do.

CMP allotment and/or DO rating symbol	Major program involved	Agency or industry division, etc.
J-1	Ship building for Maritime account	Department of Commerce, Maritime Administration.
J-2	Private shipbuilding, Maritime sponsored	Do.
J-3	Construction	Bureau of Public Roads.
J-4	Other	Do.
J-5	Construction	Civil Aeronautics Administration and Civil Aeronautics Board.
J-6	Other	Do.
J-8	Departmental programs (all)	Department of the Interior.
J-9	Construction	Defense Fisheries Administration.
W-2	All programs	International Trade (Office of).
W-4	do	Economic Cooperation Administration.
J-7	All	Department of State, Voice of America.
T-8	Construction	Water Resources Division.
T-9	MRO	Do.
U-1	MRO and operating construction (U-1 self assigned).	Communications Equipment Division.
U-2	MRO and operating construction (U-2 application-authorization).	Do.
U-3	MRO (order M-73)	Railroad Equipment Division.
U-4	Construction	Industrial Expansion Division.
U-5	do	Construction Controls Division.
U-6	Industrial plants, factories facilities	(Direction 1 to CMP Regulation 6)
U-7	Residential structures other than multiunit buildings.	Do.
U-8	All other types of buildings, structures, projects, except those table 1 of M-4A and multiunit buildings.	Do.
U-9	Material for repairs or replacement of supplies or equipment due to flood conditions.	(Direction 2 to CMP Regulation 5).
X-1	Laboratories	(Order M-71)
X-2	For producers of noncontrolled materials for use as production material.	
X-3	Field offices (all issues)	
X-4	Material for repair or reconstruction of buildings or projects due to flood damage.	(Direction 2 to Regulation 6)
Z-1	Priorities and directives (all except basketing)	
Z-8	Basketing, NPA Regulation 2	

Symbol	Purpose
AM	To transfer aluminum between (a) aluminum producers, (b) aluminum producers and aluminum smelters, and (c) aluminum producers and aluminum distributors.
FC	To transfer steel between mills for processing into another shape or form which is still a controlled material.
WH	Prefix to warehouse serial number on shipments to replenish warehouse stocks of controlled products.
PM	Identifies purchase of controlled and noncontrolled materials by controlled materials producers for use as production materials (except for aluminum acquired by use of symbol "AM"). (See direction 2 to CMP Regulation 1.)
SU	Small users. (See direction 1 to CMP Regulation 1.)
RE	Repair Parts and Materials for Repairmen. (See CMP Regulation 7.) (Not under CMP Regulation 5.)
MRO	CMP Regulation 5—Self-assigned.

B product list of CMP allotment and rating numbers

CMP allotment and/or DO rating symbol	Industry division
K-1	Agricultural Machinery and Implements.
K-2	Aircraft.
K-3	Do
K-4	Aluminum and Magnesium.
K-5	Building Materials.
K-6	Do.
K-7	Do.
K-8	Chemicals.
K-9	Communications Equipment.
L-1	Construction Machinery.
L-2	Mining Machinery and Equipment.
L-3	Consumer Durable Goods.
V-3	Do.
L-4	Do.
V-4	Do.
L-5	Do.
L-6	Do.
L-7	Do.
L-8	Containers and Packaging.
L-9	Do.
M-1	Do.
V-1	Do.
M-2	Copper.
M-3	Electrical Equipment.
M-4	Do.
M-5	Do.
M-6	Do.
V-7	Electronics.
M-8	Do.
M-9	Do.
N-1	Engine and Turbine.
N-2	Do.
N-3	Do.
N-4	General Components.
N-5	Do.
N-6	Do.
N-7	Do.
N-9	General Industrial Equipment.
P-2	Do.
P-3	Do.
P-4	Do.
P-5	Do.
T-5	Iron and Steel.
T-6	Do.
T-7	Do.
P-8	Leather and Leather Products.
V-8	Do.
P-9	Do.
N-8	Metal Working Machinery and Equipment.
P-1	Do.
P-6	Do.
R-1	Miscellaneous Metals and Minerals.
R-2	Motion Picture Photographic. Products.
R-3	Motor Vehicle.
R-4	Do.
V-5	Do.
R-6	Do.
R-7	Ordnance and Shipbuilding.
R-8	Do.
R-9	Do.
S-1	Petroleum Administration for Defense.
S-2	Printing and Publishing.
S-3	Pulp, Paper, and Paper Board.
S-4	Railroad Equipment.
S-5	Do.
P-7	Do.
S-6	Rubber.
S-7	Scientific and Technical Equipment.
S-8	Do.
S-9	Do.
T-1	Service Equipment.
V-6	Do.
T-2	Do.
T-3	Textile.
T-4	Tin, Lead, and Zinc.

Mr. ROBERTS. That has been their consistent answer to our orders.

The CHAIRMAN. Do you mean to the manufacturer?

Mr. ROBERTS. To the steel mills from whom we buy.

That is the situation and I simply wanted to leave that with you because we are doing everything we know how to do to obtain that steel. Possibly we will get some of that 38 percent.

The CHAIRMAN. When you are made an allocation of 38 percent of your requirements do you mean to say you have difficulty in obtaining that 38 percent?

Mr. ROBERTS. We have succeeded in placing orders with the mills. I am talking about carbon steel. We have placed orders for 62 percent.

The CHAIRMAN. What was your allotment?

Mr. ROBERTS. I am not sure I understand you, Mr. Chairman. We were given a certain allotment for the fourth quarter.

The CHAIRMAN. And that was what? What was it percentagewise of your previous allotment, or of your base?

Mr. ROBERTS. About 90 percent.

The CHAIRMAN. Now if your allotment was 90 percent, you evidently received some document that would entitle you to this steel.

Now do you have difficulty in obtaining your steel after your allotments are made to you?

Mr. ROBERTS. That is right, yes. We have succeeded in placing orders at the mills for 62 percent of that allotment, leaving 38 percent still to be placed.

The CHAIRMAN. I understand. What is the difficulty there. What do the steel mills say?

Mr. ROBERTS. They say they are filled up. They can take no more orders for delivery in the fourth quarter, with the one exception I mentioned, of one mill saying that farm equipment and tractors come under the listing of "K" and that is not sufficiently far up the list to permit them to entertain our orders.

The CHAIRMAN. What good is your allotment then? I thought when an allotment was made to you as a manufacturer, that you are not only entitled to that, but that you could obtain it. In other words, the allotment is made, as I understand it, of what is manufactured, or what you expect to buy.

Mr. ROBERTS. Theoretically, what is available and what is to be had and it will be available, supposedly.

The CHAIRMAN. And you say of the allotment that you got during the third quarter, which was 90 percent of your base, you are 38 percent short of that?

Mr. ROBERTS. No; I am speaking of fourth quarter.

The CHAIRMAN. I mean the fourth quarter.

Mr. ROBERT. Yes; that is right, in the fourth quarter.

The CHAIRMAN. Will you make a note of that, Mr. Clerk. I want to ask Mr. Fleischmann about that also.

Mr. ROBERTS. We do not profess to have the answer.

The CHAIRMAN. It seems foolish to give you so much and then find that you are unable to obtain that. It does not make any sense.

Mr. ROBERTS. That is our position.

The CHAIRMAN. I presume that same position prevails as to other manufacturers?

Mr. ROBERTS. It does undoubtedly; yes. I think the previous speaker referred to it.

The CHAIRMAN. Is there anything else?

Mr. ROBERTS. That is all I have, Mr. Chairman. Thank you very much.

The CHAIRMAN. We have been glad to have you.

I want to thank you ladies and gentlemen for your indulgence. I am sorry it has taken so long.

(The following statement was submitted for the record:)

STATEMENT FILED BY VERNON E. MOORE, OF THE SAM MULKEY CO.

Mr. Chairman, you and your committee are being very helpful in affording small farm-machinery-manufacturing companies such as ours, the Sam Mulkey Co., an opportunity to review publicly some of the problems we have encountered and those we anticipate next year under the Controlled Materials Plan of the National Production Authority.

We are confident your committee will use the facts you obtain to make strong recommendations for meeting the urgent problems attendant to keeping American farmers fully equipped with machinery, equipment, fertilizers, chamicals, and other tools needed to keep food production high.

As makers of Mulkey farm elevators, time- and labor-saving machines used in handling corn, hay, and other farm crops, we are well aware of our own company's responsibilities. We are reminded of them almost daily in letters, telegrams, and other reports which tell us there will be an increasing demand for our elevators as farm-labor shortages increase.

Farm-machinery manufacturers, like ourselves, actually speak for the farmers themselves, when they ask their fair share of available steel and other materials. It is an uncontroverted fact that no farm-machinery manufacturer will spend his money to buy and process CMP materials unless farmers want and need his machines. The manufacturers, then, actually speak for the farmers.

We have had no pricing problems to present to the Office of Price Stabilization because Mulkey farm elevators sell now for the same prices that prevailed before beginning of war in Korea. Unless something very unforeseen arises to cause further increases in manufacturing costs, the present increased costs will continue to be absorbed. We believe that is sound company policy fully in keeping with the Government's policies to stop inflation.

Our experiences in dealing with officials of the National Production Authority and the Department of Agriculture have convinced us of their deep and sincere desires to be of every bit of help they can. They realize the seriousness and importance of the responsibilities they have to provide farmers with the tools and supplies they need. They have been very understanding of our problems and have helped us work out solutions to them.

Yet we know from experiences gained during World War II that those same officials have been subjected to heavy pressures inside their own agencies as other users of steel and critical materials have argued that their needs were more important than those of farm-machinery and equipment makers. As demands for more and more steel develop for national defense and military uses, those pressures will increase.

Because of the understanding of our problems by NPA officials, we have been able to get as much steel and other materials, except aluminum, as we have needed to meet our solid orders for Mulkey farm elevators. However, we did ask our distributors and dealers to appraise for themselves the actual need of such farmer customer for elevators in an endeavor to see that they reached the hands of those in greatest need first. That had the result of causing many prospective customers to refrain from insisting on deliveries. If that hadn't been done, we wouldn't have been able to supply the demands with the materials allotted to us.

Our real problems, all mechanical in nature, arose from the vexations always attendant to changing normal business patterns of operation in getting orders placed with mills and other suppliers. Those problems, however, have been settled for the most part, although they did require almost superhuman efforts and much traveling by our purchasing agent.

Our representatives throughout the country have told us Mulkey farm elevators will continue in greater demand in 1952 than in 1951 because of manpower shortages on farms. That will be true of other types of labor- and time-saving farm machinery. In this respect our appraisals of the situation coincide with the recently announced findings of the Department of Agriculture's survey regarding estimated requirements for 1952.

We respectfully suggest that your committee recommend most insistently that the full recommendations of the Department of Agriculture be accepted by the National Production Authority as the basis for its allocations of controlled materials to the farm-machinery industry. The Department of Agriculture knows best that farm production cannot be maintained with lessened manpower without more time- and labor-saving machinery such as Mulkey farm elevators.

Your own experiences from World War II are certain to indicate that, as then, other segments of our industrial economy will continue pushing for maintenance of their allotments of strategic materials. They won't much care in many instances whether their own allotments come from those that should go to maintain farm production.

With your insistent recommendations that sufficient materials should be allocated to farm-machinery makers and other farm suppliers, sufficient weight will be given to the importance of agriculture to the defense effort to assure that farmers get the machines they need.

We have full confidence in your committee's judgment and are certain your actions will be continuously in the interest of agriculture.

Your kindness in hearing about our own case and our thinking about the general situation is deeply appreciated.

(Whereupon, at 1:35 p. m., the committee recessed to reconvene at 10 a. m. Thursday, September 27, 1951.)

FERTILIZER—FARM MACHINERY—PESTICIDES

THURSDAY, SEPTEMBER 27, 1951

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10 a. m., in room 324, Senate Office Building, Senator Allen J. Ellender (chairman) presiding.

Present: Senators Ellender, Johnston, Holland, Eastland, Aiken, Young, Thye, Kem, and Hickenlooper.

Also present: Representative Thomas G. Abernethy, Fourth District of Mississippi.

The CHAIRMAN. The committee will be in order. I would like the record to show that the distinguished Congressman of the Fourth District of Mississippi, Mr. Abernethy, is present. We are glad to have you here, Congressman.

Mr. ABERNETHY. Thank you, Mr. Chairman.

The CHAIRMAN. The first witness for this morning is Mr. Manly Fleischmann, Administrator, Defense Production Administration.

Mr. Fleischmann, we asked you to come before this committee this morning because of the serious difficulties members of the fertilizer and farm machinery and equipment industries have reported in getting sufficient materials to carry on their operation.

Members of this committee believe that the production and processing of food and fiber are fully as important as the production of munitions. We are greatly concerned about the serious situation which has developed in the distribution of steel and other scarce metals.

One of the reasons for our concern is the need for labor-saving farm machinery to replace the farm labor that is leaving for military service and defense-production jobs. During the period January to August 1951, 9,974,000 people were employed in agriculture, in contrast to 10,311,000 during the same period a year earlier, a decrease of 337,000 workers. Farm production is reaching a new record level in 1951 with the smallest labor force in our history.

I am sure I speak for all members of this committee when I say that the essential materials needed for the production of food and fiber in the United States are not some fraction of an earlier base period.

American farmers cannot produce the food and fiber goals set by the United States Department of Agriculture unless they get more rather than less fertilizers and farm equipment than in the recent past. As you know, the goals for 1951 were the highest on record and the goals for 1952 will have to be even higher.

Our increasing population, our military needs for food, and the needs of our allies require continually higher food and fiber goals. These must be met from the same acreage we have had in production for the last 30 years and with fewer workers than ever before. The only way to get the job done is by the use of more fertilizers and pesticides and the substitution of motor power and farm machinery for the farm labor which has gone into defense jobs.

Now, turning specifically to the industry problems which have been called to our attention, there are questions under several headings:

First, and of major concern, is the low allocation of steel to the farm machinery and equipment industry in the fourth quarter of this year. We are informed that the fourth-quarter allocations of carbon steel for agricultural machinery and implements was first 528,400 tons, later raised to 578,000 tons. This represented approximately 85 percent of the allotments for the third quarter. In contrast, your allotment of steel for motor vehicles and consumer durables in the fourth quarter was cut very little or even increased over third-quarter allotments. We believe that the needs of agriculture should be given a higher rating than some of these other uses; yet, from your allocations it appears that you consider agriculture's requirements less essential than many other civilian uses.

Is it true that agriculture has been cut more than some other civilian uses?

STATEMENT OF MANLY FLEISCHMANN, ADMINISTRATOR, AND M. L. ANSHEN, ASSISTANT DEPUTY ADMINISTRATOR, DEFENSE PRODUCTION ADMINISTRATION—Resumed

Mr. FLEISCHMANN. No, sir.

The CHAIRMAN. Will you demonstrate that to us, because we have facts to the contrary.

Mr. FLEISCHMANN. Well, I do not know what facts, Senator, you refer to, but let me answer that.

The CHAIRMAN. Proceed.

Mr. FLEISCHMANN. It is very hard to answer an isolated question like that, except to say this: that since the time that the control situation has been present and since we have been allocating steel, copper, and aluminum, the so-called durable consumers' goods, including automobiles, have in fact been cut far more drastically than farm machinery, and it is our intention——

Senator EASTLAND. Is that consumers' durables?

Mr. FLEISCHMANN. Consumers' durable goods.

Senator EASTLAND. Now, for the third quarter there were allocated 337,851 tons of steel; for the fourth quarter there were allocated 867,000 tons of steel, or an increase of 529,149. Is that correct?

Mr. FLEISCHMANN. No; not the way you stated it. Are you quoting from these two press releases, sir, of the DPA?

Senator EASTLAND. I am quoting from the figures put in the record.

Mr. FLEISCHMANN. Well, let me tell you where the figures come from. I will identify them as Defense Production Administration releases Nos. 80 and 94.

Senator EASTLAND. That is right.

Mr. FLEISCHMANN. The No. 80 refers to the third quarter program allocations, the No. 94 refers to the fourth quarter program allocations.

In the third quarter, neither consumers durable goods as you and I would understand the term, nor automobiles were under the Controlled Materials Plan.

You will notice that the allotments which we are referring to here are to particular industry divisions of the National Production Authority.

I want to make the point clear first by referring to automobiles and then I will go over to consumers durable goods.

We have a Motor Vehicle Division, for instance, which has jurisdiction over trucks, trailers, both large, small, and medium, and automobiles, passenger automobiles, and repair parts.

If you will recall, we did not use the Controlled Materials Plan for passenger automobiles in the third quarter. We first instituted that for the fourth quarter. The allotment to which you referred——

Senator HICKENLOOPER. Have you not permitted the automobile industry in the third quarter to buy steel and to use up their reserves and you did not use the allocation method?

Mr. FLEISCHMANN. No, sir; we used far more severe methods, the limitation order, where they are confined to a percentage of the base period and where they had to scramble for steel.

Senator EASTLAND. What was the base period?

Mr. ANSHEN. The average quarter in the first half of 1949.

Senator EASTLAND. That was the biggest year the automobile industry ever had; was it not?

Mr. FLEISCHMANN. That was the base period.

Senator AIKEN. Why were they not under the Controlled Materials Plan?

Mr. FLEISCHMANN. There are two reasons. The first was an administrative reason. We did not have enough people to do it.

However, there was a deeper reason than that. We hoped, as many people hoped, to limit the amount of control the Government had to put on the economy during this period and it was hoped that by confining the use of the Controlled Materials Plan to the more essential areas like farm machinery, that perhaps we could make it work by leaving a limited free area, in that free area leaving automobiles and durable consumers' goods, so that they would be subject to a limitation so that they would never get more than a percentage of the base period.

Senator AIKEN. Well, they actually produced more cars than they could sell during that base period.

Mr. FLEISCHMANN. In that base period?

Senator AIKEN. Yes, last year. During 1950, at least, sales were fairly good; but they had the situation in 1951 that some of the companies currently are not selling what they are producing now. Some of them are selling and some are not selling, that is, are selling somewhat less.

The CHAIRMAN. If you will permit me to say this, Mr. Fleischmann, what prompted the question that I propounded and Senator Eastland asked was prompted by the statement made by Mr. Wiman. Now, if that statement needs correction or clarification, of course, we

Our increasing population, our military needs for food, and the needs of our allies require continually higher food and fiber goals. These must be met from the same acreage we have had in production for the last 30 years and with fewer workers than ever before. The only way to get the job done is by the use of more fertilizers and pesticides and the substitution of motor power and farm machinery for the farm labor which has gone into defense jobs.

Now, turning specifically to the industry problems which have been called to our attention, there are questions under several headings:

First, and of major concern, is the low allocation of steel to the farm machinery and equipment industry in the fourth quarter of this year. We are informed that the fourth-quarter allocations of carbon steel for agricultural machinery and implements was first 528,400 tons, later raised to 578,000 tons. This represented approximately 85 percent of the allotments for the third quarter. In contrast, your allotment of steel for motor vehicles and consumer durables in the fourth quarter was cut very little or even increased over third-quarter allotments. We believe that the needs of agriculture should be given a higher rating than some of these other uses; yet, from your allocations it appears that you consider agriculture's requirements less essential than many other civilian uses.

Is it true that agriculture has been cut more than some other civilian uses?

STATEMENT OF MANLY FLEISCHMANN, ADMINISTRATOR, AND M. L. ANSHEN, ASSISTANT DEPUTY ADMINISTRATOR, DEFENSE PRODUCTION ADMINISTRATION—Resumed

Mr. FLEISCHMANN. No, sir.

The CHAIRMAN. Will you demonstrate that to us, because we have facts to the contrary.

Mr. FLEISCHMANN. Well, I do not know what facts, Senator, you refer to, but let me answer that.

The CHAIRMAN. Proceed.

Mr. FLEISCHMANN. It is very hard to answer an isolated question like that, except to say this: that since the time that the control situation has been present and since we have been allocating steel, copper, and aluminum, the so-called durable consumers' goods, including automobiles, have in fact been cut far more drastically than farm machinery, and it is our intention——

Senator EASTLAND. Is that consumers' durables?

Mr. FLEISCHMANN. Consumers' durable goods.

Senator EASTLAND. Now, for the third quarter there were allocated 337,851 tons of steel; for the fourth quarter there were allocated 867,000 tons of steel, or an increase of 529,149. Is that correct?

Mr. FLEISCHMANN. No; not the way you stated it. Are you quoting from these two press releases, sir, of the DPA?

Senator EASTLAND. I am quoting from the figures put in the record.

Mr. FLEISCHMANN. Well, let me tell you where the figures come from. I will identify them as Defense Production Administration releases Nos. 80 and 94.

Senator EASTLAND. That is right.

Mr. FLEISCHMANN. The No. 80 refers to the third quarter program allocations, the No. 94 refers to the fourth quarter program allocations.

In the third quarter, neither consumers durable goods as you and I would understand the term, nor automobiles were under the Controlled Materials Plan.

You will notice that the allotments which we are referring to here are to particular industry divisions of the National Production Authority.

I want to make the point clear first by referring to automobiles and then I will go over to consumers durable goods.

We have a Motor Vehicle Division, for instance, which has jurisdiction over trucks, trailers, both large, small, and medium, and automobiles, passenger automobiles, and repair parts.

If you will recall, we did not use the Controlled Materials Plan for passenger automobiles in the third quarter. We first instituted that for the fourth quarter. The allotment to which you referred——

Senator HICKENLOOPER. Have you not permitted the automobile industry in the third quarter to buy steel and to use up their reserves and you did not use the allocation method?

Mr. FLEISCHMANN. No, sir; we used far more severe methods, the limitation order, where they are confined to a percentage of the base period and where they had to scramble for steel.

Senator EASTLAND. What was the base period?

Mr. ANSHEN. The average quarter in the first half of 1949.

Senator EASTLAND. That was the biggest year the automobile industry ever had; was it not?

Mr. FLEISCHMANN. That was the base period.

Senator AIKEN. Why were they not under the Controlled Materials Plan?

Mr. FLEISCHMANN. There are two reasons. The first was an administrative reason. We did not have enough people to do it.

However, there was a deeper reason than that. We hoped, as many people hoped, to limit the amount of control the Government had to put on the economy during this period and it was hoped that by confining the use of the Controlled Materials Plan to the more essential areas like farm machinery, that perhaps we could make it work by leaving a limited free area, in that free area leaving automobiles and durable consumers' goods, so that they would be subject to a limitation so that they would never get more than a percentage of the base period.

Senator AIKEN. Well, they actually produced more cars than they could sell during that base period.

Mr. FLEISCHMANN. In that base period?

Senator AIKEN. Yes, last year. During 1950, at least, sales were fairly good; but they had the situation in 1951 that some of the companies currently are not selling what they are producing now. Some of them are selling and some are not selling, that is, are selling somewhat less.

The CHAIRMAN. If you will permit me to say this, Mr. Fleischmann, what prompted the question that I propounded and Senator Eastland asked was prompted by the statement made by Mr. Wiman. Now, if that statement needs correction or clarification, of course, we

want that for the record, and if you cannot do it at this time you may furnish it later.

Mr. FLEISCHMANN. I can do it at this time, sir.

The CHAIRMAN. All right. Now, in order to be a little more specific with respect to the statement, it was prepared by, I understand, Mr. Wiman, and I believe it has been introduced in the record and it shows that the steel for motor vehicles in the third quarter was 1,897,601 tons and in the fourth quarter it was 3,464,300, or an increase of 1,566,699.

For railroad equipment it was 882,417 in the third quarter and in the fourth quarter 1,872,425, or an increase of 990,000 tons.

Consumer durables, 333,851, and in the fourth quarter it was 867,000, or an increase of 529,000.

For containers and packaging, in the third quarter it was 1,647,910 and in contrast it was in the fourth quarter 1,615,216, a decrease of 72,694.

For agricultural machinery and implements, in the third quarter it was 673,223 and in the fourth quarter it was 528,400, a decrease of 145,323.

Senator HICKENLOOPER. Well, you did not read the later increase to 578,000, Mr. Chairman.

The CHAIRMAN. Oh, yes, and that 578,000, which reduced the decrease to 95,723. I mean, the net decrease was 95,723 tons during the fourth quarter, compared with the third quarter.

Now, as I have indicated, we would like to have their figures either verified or cleared up. In other words, we want you to give your side of it for the record.

Mr. FLEISCHMANN. Yes; and that is what I intended to do.

Those figures are entirely erroneous.

The CHAIRMAN. All right.

Mr. FLEISCHMANN. And I will give you two prime examples of what this statement was designed to show.

As I tried to explain the Motor Vehicle Division has trucks, trailers, and passenger-car automobiles; that is its general jurisdiction.

During the third quarter of 1951 we did not allocate in the sense of using the Controlled Materials Plan for motor vehicles. We only allocated for trucks. We consider them essential, like farm machinery, so we gave them tickets designed to get the materials for them.

On the other hand, motor vehicles were controlled by the limitation order which limited the amount that they could manufacture.

Senator EASTLAND. What was the limit that they could manufacture?

Mr. FLEISCHMANN. 1,200,000.

Senator EASTLAND. 1,200,000?

Mr. FLEISCHMANN. Now, let me clarify that figure.

The CHAIRMAN. In connection with that, did you have any prohibition against the quantity of steel?

Mr. FLEISCHMANN. Yes, sir; that was the limitation that they could use.

The CHAIRMAN. As far as the material—you limited the number of vehicles?

Mr. FLEISCHMANN. That is right, and gave them no guaranty of getting it.

Senator HICKENLOOPER. How many were produced in the preceding quarter, if you have the figures?

Mr. FLEISCHMANN. I will have to let Mr. Anshen answer most of the detailed questions, but we have all the figures.

Mr. ANSHEN. Passenger-car production in the first quarter of 1951 was roughly 1,602,000 units.

Senator EASTLAND. How many tons of steel does that represent?

Mr. ANSHEN. I do not know, Senator. I would have to find out for you.

The third quarter, 1,497,000 units. The ceiling for the third quarter, as Mr. Fleischmann just indicated, was 1,200,000 units.

Senator AIKEN. Were the Department of Commerce figures correct, showing that for the first two quarters of 1951 there were some 15,000 more passenger cars produced in 1950?

Mr. ANSHEN. I have the actual figures; I will be glad to give them.

Senator AIKEN. When I quote the Department of Commerce figures, I am speaking from memory.

Mr. ANSHEN. I do not know what the source of these particular figures was, but I could find out. This statement does not happen to give them.

Senator AIKEN. I remember the figures because I was surprised when they were released to find that more cars were actually produced in the first 6 months this year than last year.

Mr. ANSHEN. There was a strike in the Chrysler plants in the spring of 1950 that continued for a considerable period of time and the production of passenger automobiles in that period was considerably reduced because the Chrysler Corp. represents, I believe, close to one-fourth of the industry.

Senator AIKEN. But, despite the strike, however, more automobiles were produced, the production exceeded the demand for them, as I recall. The supply available for sale increased until—well, again, I am calling on my memory—there were between some 700 and 800 thousand cars available for sale at the beginning of this year.

Mr. FLEISCHMANN. I would like to clarify these figures——

Senator AIKEN. That is my recollection, anyhow.

Mr. FLEISCHMANN. Just let me clarify these figures that Senator Eastland asked about. I am speaking first of automobiles.

Now, the exhibit that Mr. Wiman produced, would have indicated to you that we allocated to motor vehicles only 1,897,601 tons of steel during the third quarter and that even we suddenly tripled that during the fourth quarter. Well, we are not quite as foolish as that.

The 1,897,000 tons were allocated in the third quarter for trucks, which were the only things under the CMP during the third quarter.

Then, in the fourth quarter we started allocating to both trucks and automobiles. As you know, all steel is allocated now.

So, the comparable figure that he shows for the fourth quarter is for trucks, trailers, and automobiles, and——

The CHAIRMAN. If we could obtain the amount of steel required to produce the number of automobiles produced, we could get a fair comparison.

Senator EASTLAND. You mean with the previous quarter?

The CHAIRMAN. The third quarter is what I am talking about.

Senator AIKEN. In making the allocation, do you estimate the amount of metal which they have on hand before giving an allocation? For instance, you made an allocation of 3,464,000 tons for the fourth quarter. Now, do you know what they had on hand at the beginning of the quarter? What method did you use in allocating, not only to the automobile industry, but to the railroads and so on?

Mr. FLEISCHMANN. You mean inventory control of what materials are on hand?

Senator AIKEN. Yes. Do you have a system of keeping account of what they have on hand, to which I assume will be added the allocations for the fourth quarter?

Mr. FLEISCHMANN. We have, but I will say this, Senator: that is one of the greatest unsolved problems of Government controls of this kind, which was never solved during World War II, the reason being the lag from the time the manufacturer makes up his CMP application until we actually make the allotment. So you can see there is a 2 months' lag in there. Therefore, the inventory figures are not very good and we have never been able, frankly, to find any method to do that.

Senator AIKEN. My question was prompted by reason of a communication to the Senate Small Business Committee—communication from the Huron Steel Co. stating they had delivered steel to the Chrysler Motor Co. to be used in a plant that had not even started to be built yet.

Mr. FLEISCHMANN. Well, let me say this, that we have very strict regulations, Senator, to make that unlawful, and we will check that case. I will tell you what we do——

Senator AIKEN. I am just thinking of the methods used.

Mr. FLEISCHMANN. Well, just let me tell you of the methods used. No. 1, we have regulations which make it unlawful and it is a crime to accept delivery of material which puts you over a given working inventory which is further defined sometimes as 60 days' inventory and sometimes 90 days, depending on the material.

Now, we know very well that those things just do not enforce themselves. So, what we do is to have an investigation, a spot check of the big users of the material. You understand, you have to check the big users because that is where it goes.

Senator AIKEN. Yes.

Mr. FLEISCHMANN. Now, what have done recently is to make just such a check of the aircraft industry, which are the big users of aluminum, because aluminum and copper makes the steel situation look like a happy one. And, we have found comparatively serious inventory violations in aluminum. Now, those fellows will not get any more aluminum until that situation is rectified, and in the more important cases we are requiring them to ship those aluminum stocks around so that other airplane manufacturers can benefit from that.

But, that kind of continuous check is made only of the biggest users, you could not extend that to the smaller ones except on a spot basis. We try very hard, I assure you, to keep this inventory situation under control. If we had it under complete control, this situation would be easy.

We have run down every single case as far as we know, every case we have been told about, about black markets, excess inventories, and so on.

Every single case has been immediately run down, and actively, and I would like to have every Senator on this committee refer to me personally every case where he thinks there is a violation.

The CHAIRMAN. What did you find? I will ask you that now, although we had intended to go into that a little later.

Mr. FLEISCHMANN. Well, in the bigger ones in the aluminum situation, we found definite cases of excessive inventories.

When it comes to military contractors, history teaches us that they will do it every time if you do not keep after them—and we intend to do that.

In the cases that have been referred to us by various Senators and Congressmen and businessmen we have nearly always found no black-market conditions. Here is the kind of thing that happens. We have them referred to us as violations, in those cases that we had referred to us last winter, before the price-control operation went into effect.

We often had complaints about so-called black markets, when actually at that time there was no price control. What happened was that a person was buying foreign steel, which was then legal and is legal now, as far as I know, and what he was doing, he was holding up the industry and getting any price he could get for it, that is, any price, with no price control over it.

Actually, it never remained in inventory for anyone to grab it, it went in and out.

For example, we put our people into a warehouse in Chicago which was described to us as a center of black marketing and actually we went in and found that there was insufficient steel to keep a factory going for 2 months.

Well, there was nothing illegal at that time and nothing could be done. This was foreign steel and it did not take a pound of steel out of the domestic supply.

Senator AIKEN. And foreign steel did not come under price ceilings?

Mr. FLEISCHMANN. It did not at that time. Whether it does now or not, I do not know.

Senator AIKEN. What is the ceiling price of steel?

Mr. FLEISCHMANN. I am sorry, sir, I do not know. That is not in my jurisdiction. I cannot say.

Senator HICKENLOOPER. Did you not find examples where domestic steel was also being put into those so-called brokerage activities? Did you find that, where they were sold at very high prices?

Mr. FLEISCHMANN. We found only one such case as I recall it. As you can imagine, I have hundreds of cases in the office but as far as I can recall there was only one such case and in that case the steel company itself had brought it to our attention on the grounds that the man to whom they were selling, they thought, was selling over the normal price.

Senator HICKENLOOPER. Well then, we must have a lot of imaginative steel users in my State because I have in my office a great number of instances, so your statement is surprising to me.

Mr. FLEISCHMANN. Well, sir, I would like to ask you to submit them to me.

Senator HICKENLOOPER. These have all been submitted to your Department, over there. Perhaps these fellows were just talking through

their hats or perhaps the circulars that they received were not correct or incorrectly read. I do not know.

Mr. FLEISCHMANN. There is perhaps a good deal of foreign steel being sold that we do not know about, we do not know what is done with that steel.

The CHAIRMAN. Mr. Fleischmann, you are not telling the committee that there is no black marketing of steel?

Mr. FLEISCHMANN. No, sir; not for a minute.

The CHAIRMAN. That is, of domestic steel.

Mr. FLEISCHMANN. I am telling you that I am trying to do my duty as far as I can, which is to run down cases when they are referred to me.

The CHAIRMAN. Well now, it is illegal, is it not, for a black marketer of steel to charge two or three times over the ceiling price?

Mr. FLEISCHMANN. Yes, sir.

The CHAIRMAN. Have you sufficient laws on the statute books so that in the event you find such cases you can prosecute them?

Mr. FLEISCHMANN. Well, the prosecution is not my responsibility.

The CHAIRMAN. Yes, I understand that.

Mr. FLEISCHMANN. But I will do what I can do.

The CHAIRMAN. Well, I am not really talking about prosecution. I know that you are not a district attorney. But do you have sufficient laws?

Mr. FLEISCHMANN. Yes, sir.

The CHAIRMAN. What I am trying to get at is this; if you do not have sufficient laws or if the present laws have to be amended, then Congress can act.

Mr. FLEISCHMANN. No, sir; there are adequate laws.

Senator HICKENLOOPER. Mr. Chairman.

The CHAIRMAN. Yes.

Senator HICKENLOOPER. Mr. Butler testified, I understand, yesterday. He said that it is still not illegal for those practices to be indulged in because there are no regulations controlling the activities that have been issued.

The CHAIRMAN. That is why I asked the question.

Senator HICKENLOOPER. He made that flat statement. I did not know, but I assume that possibly he had reasons for making it.

Senator AIKEN. Mr. Butler said, and I quote:

> The horrible thing about it at the moment, Senator, however, is that when you come right down to it, the steel brokers are fully within the law. There is no regulation or law that says they cannot do this sort of thing. * * *
> The OPS has been working for some time and has promised us two or three times to issue an order limiting the amount of dollar and cent mark-up above mill price that can be put on steel. The order has not been forthcoming, however.

You do not know about that?

Mr. FLEISHMANN. No sir, I do not. That is not under my jurisdiction.

Senator AIKEN. In other words, Mr. Butler says these so-called black marketers were operating within the law.

Mr. FLEISCHMANN. I know this, Senator, that if we got a case—and I would be very happy to have them referred to me—where steel has been sold at exorbitant prices which comes from the mills that we control—remember, we do not have any control on foreign steel

that comes into this country—but if it comes from regular sources we will cooperate with that source of supply. You see, normally not only do the steel companies cooperate with us but they try to give us leads when they think that it is being abused, because it is important to their business interests to have that steel——

The CHAIRMAN. Well, are you confident that all of the steel mills are cooperating to the fullest extent?

Mr. FLEISCHMANN. Well, that is a big question, because there are so many steel companies. I would say that the substantial part of the steel industry is cooperating. In a few minutes I will talk about that further, but I will say——

The CHAIRMAN. Are you able to trace the steel by any markings that are put on the steel by the different companies who manufacture it?

Mr. FLEISCHMANN. In the usual case I would say yes, sir.

The CHAIRMAN. Well, we have information that there are some steel companies that do not stamp their steel.

Mr. FLEISCHMANN. I think that is probably true. I know that the big companies do because I have seen it many times, as we all have.

The CHAIRMAN. Do you think a law forcing all steel manufacturers to put a stamp on the steel that they produced would assist?

Mr. FLEISCHMANN. I would have to get expert opinion on it because, Senator, I have never thought of it until this moment.

But I am inclined to think—well, I have a doubt because there are steel products, such as wire, and so forth, which would be very difficult to mark.

Now, the United States Steel, for example—I know because I have gone through that plant—have made a practice of it. That company does stamp everything that it is possible to mark.

Mr. Chairman, my own instincts are so much against additional Government regulation that, unless I am certain it is going to do a lot of good, I would think about it a lot before I recommended it.

The CHAIRMAN. Now, gentlemen, in order to get this investigation expedited, I wonder if we could get back to the question I asked a while ago about the tonnage requirement for the third quarter to manufacture the number of cars that you permitted automobile manufacturers to make.

Mr. FLEISCHMANN. The proper comparison between the amount of steel for motor vehicles in the third quarter and the fourth quarter is the following: In the third quarter, 3,947,601 tons; in the fourth quarter, 3,464,080.

Senator AIKEN. For the first and second quarters—do you have those?

Mr. ANSHEN. We would have to get that. We have the number of units and we could get that.

Mr. FLEISCHMANN. We could give you a chronolgical statement, quarter by quarter, of this program breakdown by automobiles and trucks.

Senator AIKEN. I think we should have that.

The CHAIRMAN. Yes.

That clarifies it so that the figures show, instead of an increase, as Mr. Wiman said, a decrease of half a million tons.

Senator EASTLAND. Four hundred and eighty-three thousand tons.

Mr. FLEISCHMANN. Senator Eastland, I wanted to mention also the consumers' durable-goods figures, in which the same kind of error appeared in Mr. Wiman's testimony.

Senator EASTLAND. Yes; I want that explained.

Mr. FLEISCHMANN. Well, that is the same explanation. Consumers' durable goods—by which we mean refrigerators and that kind of things—were not under the controlled-materials plan during the third quarter of the year.

We made allocations to our so-called Consumers' Durable Goods Division because there are certain items which they handled which are really industrial items—such things, for example, as industrial flashlights and things of that kind—there is a great number of those items and I will be glad to submit a list to the committee.

The allocation Mr. Wiman quoted was the allocation to that small group of items which are handled under CMP in the third quarter.

The fact of the matter is that there was a very substantial reduction in the allotment of durable-goods steel during the third and fourth quarters.

Senator EASTLAND. What are those figures?

Mr. FLEISCHMANN. I will have to get those because I did not know that was to be asked of me.

(The information referred to above is as follows:)

Estimated carbon steel consumption in motor-vehicle industry

Branch	1950				
	First quarter	Second quarter	Third quarter	Fourth quarter	Total
Automotive maintenance equipment	45,413	46,327	53,068	54,668	199,476
Engines	119,819	125,441	121,274	130,220	496,754
Passenger cars	2,072,798	2,700,404	2,914,638	2,566,265	10,254,105
Replacement parts	456,915	541,396	638,547	728,137	2,364,995
Trailers	38,947	52,483	68,096	68,742	228,268
Transit vehicles	1,933	5,010	4,004	6,812	17,759
Trucks and truck bodies	635,634	778,469	756,446	700,115	2,870,664
Total	3,371,459	4,249,530	4,556,073	4,254,959	16,432,021

Branch	1951				
	First quarter	Second quarter	Third quarter	Fourth quarter (PD No. 62)	Total
Automotive maintenance equipment	41,285	42,115	48,244	49,699	181,343
Engines	120,834	126,504	122,301	131,323	500,962
Passenger cars	2,466,854	2,305,146	1,848,000	1,582,578	8,202,578
Replacement parts	698,883	745,585	643,053	581,917	2,669,438
Trailers	69,683	66,495	56,800	56,871	249,849
Transit vehicles	7,823	10,242	11,384	13,227	42,676
Trucks and truck bodies	772,212	843,384	668,678	597,385	2,881,659
Total	4,177,574	4,139,471	3,398,460	3,013,000	14,728,505

Consumer durable goods (other than automobiles, radios, and television)—Carbon steel consumed in specified periods

	Tons
A. Average quarter, first half of 1950 [1]	965,000
B. 100 percent of permitted base period as shown on 4Q51 CMP 4B requests [2]	1,150,000
C. Permitted level 3Q51—mostly under "M" orders but partly under CMP [3]	919,000
D. 4Q51 allotments to all codes—entirely under CMP [4]	775,000

[1] Represents a careful staff estimate of materials consumption pre-Korea. Estimate is based on Census data and substantial samples of materials usage during 4Q50 and 1Q51. Detailed data of this type are not normally collected, except for a few large industries, and must therefore be estimated until more information has been accumulated under mobilization reporting programs.

[2] Although the average quarter during the first half of 1950 was generally used as a base period at the start of the mobilization program alternatives were allowed, primarily for highly seasonal industries; some consumer industries with higher degrees of essentiality were permitted to use the first quarter of 1951 as a base, which was a substantially higher level; and, finally, individual adjustments were granted under hardship appeals. These considerations account for the difference between the figures in lines A and B.

[3] The 3Q51 steel consumption has been estimated for each consumer goods product code by applying to the base period figures reported by the companies, the percentage of permitted usage under orders and regulations in effect during the quarter.

[4] This figure is the amount authorized for allotment to consumer goods codes as of Oct. 1, 1951.

Senator YOUNG. Well, does the allocation tell the whole story? For example, is it possible for an automobile manufacturer to secure a higher percentage of the allocated steel than as compared to a small industry?

Mr. FLEISCHMANN. Well, that gets into the question of whether the Controlled Materials Plan is now operating properly or not.

The CHAIRMAN. In that connection the question just asked by Senator Young reminds me that we had some witnesses who said that, although they have the allocation, they can obtain only 40 to 60 percent of the amount allocated. Now, why is that, if that is so?

Mr. FLEISCHMANN. Well, the reason is—Senator, that will take me a few minutes to discuss, and I will be glad to do that.

The CHAIRMAN. Go ahead.

Mr. FLEISCHMANN. We started for the third quarter, the one we are still in, the Controlled Materials Plan.

That is the plan that was used during World War II and which we got into operation as fast as we could at this time because of what we think is the urgency of the situation that compels us to rearm and get strong industrially and strong in every other way as fast as possible.

Now, the Controlled Materials Plan substitutes a Government allocation almost down to the last ton of steel. It does so in order to channel those materials instead of to automobile, say, to channel them to munitions, machine guns, farm machinery, and other things more important.

Now, I made the prediction before a committee, Senator, on which you sat this last spring—and Senator Young, I am certain, was there, too—and I made the prediction that the first and second quarters of operation of the controlled Materials Plan would necessarily be very imperfect.

We had the experience of World War II to go by, and we knew from sad experience that it took at least two quarters to get a vast change-over in the American economy, the industrial economy, operating with anything like smoothness.

I can almost remember the words in which I said that the first quarter of the operation, which is this quarter we are in now, will be almost a total loss.

Well, you have to start some place.

Well, now, your statistics are no good for the first quarter, and you do not know anything about the supply or the demand. But you have to start, because, if you do not start, you cannot get this operation rolling.

I take only a melancholy pleasure now in predicting that. I knew it was going to happen, as did everybody who went through it in the last war.

But there was nothing else to do. I combed the literature and the experience of everybody to see if there was any other way of getting around this kind of situation, and nobody was able to suggest anything.

Well, we did the job, and it is working earlier than anybody thought it could, but for this third quarter it will not look good and it will not work well.

The result is that there are isolated cases; there is not any question, isolated cases where an individual gets a ticket and——

Senator YOUNG. Will the smaller companies have an equal chance?

Mr. FLEISCHMANN. The ticket for the small individual has just as much right to be cashed as the ticket of the bigger one, and we are announcing very soon in the National Production Authority the exact unit whose job will be to see to it that the tickets do get cashed when presented.

Now, we could not do that in the earlier stages because—well, you know, there are hundreds and thousands of people operating under this plan, and we just do not have enough people to watch it all over the country, and we could not do it. Also, we could not offer that service to anyone. Business has to exercise its own energy or ingenuity, just as it did in World War II.

Well, they are doing that. The situation is improving every day, and I will make now an optimistic prediction instead of the pessimistic one I made last spring.

I say that by the end of the fourth quarter this system will be operating quite well and that the tickets will have assurance that they will be cashed.

The CHAIRMAN. In other words, would you say that when you have allocated, say, X million tons that your certificate will correspond to that X million tons and the holders of those certificates will be able to obtain the materials?

Mr. FLEISCHMANN. Yes, sir. I will give you two conditions on that answer.

The CHAIRMAN. Well, now, let me ask you this. We have had a lot of evidence here to show that, as I remember, a lot of mills accepted, maybe, orders from two or three manufacturers—in other words, a duplication—and the manufacturer was doing that with the hope that he would get it from one of these mills and then he will cancel the other orders.

Mr. FLEISCHMANN. That is right.

The CHAIRMAN. What are you doing to prevent mills from taking these duplicate orders, by way of enforcement?

Mr. FLEISCHMANN. Well, the mill does not know itself whether it is a duplicate order or not. We are placing the compliance on the man who is doing the wrong thing, which is filing the order.

The CHAIRMAN. Why can you not have the man applying at the mill certify to the effect that it is his only application, just as you do when you make an application to insure a house?

Mr. FLEISCHMANN. Well, in effect, sir, when he places the order, he is certifying to the Government it is the only one.

The CHAIRMAN. I mean, to the mill; I am talking about the mill.

Mr. FLEISCHMANN. The place where he could be convicted would be for certifying falsely to the Government. That is the effect of it.

However, I want to say that your suggestion is one we had very much in mind to do. We have done other things, however, and I want to tell you what they are.

No. 1, we have sent out a great big notice in red printing with the latest allocation saying in effect, "You must immediately cancel any duplicate orders you have. If you do not, it is a crime," and so forth.

Secondly, we are engaged right now in making spot checks with some of the large users to see if there are violations. We have not a report yet.

The CHAIRMAN. What do you think about a law on the statute books that will punish a mill for taking a duplicate order?

Mr. FLEISCHMANN. Well, you would not punish the mill owner; you would punish the man who filed the duplicate order and accepted the steel twice.

The CHAIRMAN. Well, I do not think that will correct the difficulty. What the manufacturer is entitled to is an allotment. I do not think it would help them to do what you suggest.

The point is that they go over with their order to this mill, and they have a lot of orders from other people, and it prevents the mill from taking a legitimate order.

Mr. FLEISCHMANN. Yes, sir.

The CHAIRMAN. And this other manufacturer when he gets it from one of the mills, cancels out everything else.

The point is, why could not something be done to prevent the mill owner from accepting duplicate orders and thereby allowing the legitimate applicants to obtain a certain amount of steel?

Mr. FLEISCHMANN. Well, Senator, you have put your finger on what we think is making it, the system, difficult to start. There is no doubt it. You have the point.

But I am trying to stick to the enforcement of it, which is not so easy. I have sweated about it a lot.

In the first place, when the mill owner or the steel owner get a CMP order, it has a certificate on it which says that this is a certified CMP order.

Now, that means it is not a duplicate. You see, he does not know.

You take a big company that manufactures many items. They place thousands of CMP orders, and the only real regulation on them is that they must operate within their budget; their orders must not total at any time more than the amount they have allocated.

Now, we are thinking just along the lines you are mentioning. We are thinking of requiring with new orders—we do not want to go back, because the steel companies will have to go over hundreds of thousands of orders——

Senator JOHNSTON. What would happen if you gave only one CMP order to file, and they did not have but the original? Could you do that?

Mr. FLEISCHMANN. Well, a CMP order is a document this size [indicating].

Senator JOHNSTON. You could, for example, make a little certificate, as far as that is concerned, to show that it was your original.

Mr. FLEISCHMANN. You see, the problem is this, sir. Take a large company. It has as many as 20 or 30 different CMP certificates, the reason being that we administer this on a product basis, you see.

Let us take General Electric. They make thousands and thousands of items; so they come to many different divisions to get their appropriate allotments, if it is an industrial-equipment item, and so forth.

Now, what they get is an allotment for some thousands of tons of steel, copper, and aluminum.

Now, they translate that into individual hundreds of separate orders on separate mills.

Our point of compliance is to see to it that the General Electric does not place orders totaling more than their allotment, and if you gave them a copy of the CMP certificate to send to the mill it would mean nothing to the mill, because the allotment might be for 10,000 tons or 5,000 tons of steel. The individual order would be a few hundred tons, and it would mean nothing to the mill. We have to enforce by spot check of the big users.

Senator EASTLAND. The Department of Agriculture lists the production of food and fiber needed to feed and clothe the American people and to meet the war goal.

It is your duty to furnish the steel; is it not?

Mr. FLEISCHMANN. Yes, sir.

Senator EASTLAND. In addition, it is your duty to see that enough machinery will be manufactured to meet those requirements. How do you determine the number of tractors that ought to be manufactured?

Mr. FLEISCHMANN. Excuse me just a minute, sir.

The CHAIRMAN. Off the record.

(Discussion off the record.)

STATEMENTS OF RALPH S. TRIGG, DEPUTY ADMINISTRATOR FOR PROGRAM AND REQUIREMENTS, DEFENSE PRODUCTION ADMINISTRATION—Resumed

The CHAIRMAN. The committee will be in order.

As you recall, Mr. Trigg, when you were a witness a few days ago, we considered the fertilizer shortage and we have asked you to come again before the committee for further questioning with respect to the representations that you made to the NPA and other departments with a view of obtaining sufficient steel and other materials for the production of farm machinery sufficient to meet the goal set by the Department of Agriculture.

Now, Mr. Trigg, you went into details the other day about fertilizer. Will you go over the procedure that you follow and the recommendations that you make with respect to the steel and other alloys necessary to the manufacture of farm machinery?

Mr. TRIGG. Well, Mr. Chairman, I will be very glad to give you any information that you desire.

Generally, there is the same procedure that I outlined to the committee on Monday, and that is, simply, that we deal strictly with Government agencies.

They are the claimant agencies against the DPA, such agencies as the National Production Authority, the Production and Marketing Administration in the Department of Agriculture, the several agencies of the Department of Interior, the Federal Security Agency, and so on.

The point is that they themselves compile their requiremnts in terms of tons of steel, pounds of copper, and pounds of aluminum, and present them to the staff of the Requirements Committee.

The CHAIRMAN. When you say "they," you mean each claimant agency?

Mr. TRIGG. That is correct, sir.

The CHAIRMAN. To you?

Mr. TRIGG. To us, yes; that is correct, the Office of Program and Requirements of the Defense Production Administration.

Senator EASTLAND. Wait a minute, now. How did you arrive at these figures, this allocation of steel to farm equipment for the fourth quarter?

Mr. TRIGG. Senator Eastland, I would like to have Mr. Anshen, who is much more familiar with the figures than I, present the details.

Senator EASTLAND. I want to ask you this before we hear from him.

In the third quarter the automobile industry used for the manufacture of passenger automobiles 2,050,000 tons of steel according to the figures that Mr. Fleischmann gave us.

Now, is it not more important that that be out in order to give more steel to the farm-machinery industry than to the passenger-car industry, when we are going into a war economy?

Mr. TRIGG. Senator, I do not think there is any disagreement that food, from the time it is produced to the time it is on the tables of the consumers, is important. I have my personal feelings about that and I have expressed them many times before this committee and elsewhere.

Senator EASTLAND. Well, why aren't passenger-car allocations reduced in order to give more steel to the agricultural industry?

Mr. TRIGG. Oh, I think that can be better explained by the people who were there, that worked on this program at the time it was being developed. I know that there were basic policies that were laid down and there are reasons why it was cut. However, I think that Mr. Anshen will be much more familiar with that than I.

Senator EASTLAND. I do not think that passenger-car production is as important as farm-implement production. It just does not make any sense to me.

Mr. ANSHEN. Senator, you have asked several questions, all of which bear on the same point. I would like, if you will allow me, Mr.

Chairman, to deal with them all at once, because they are all part of the same problem, namely, how we reached the decision on farm machinery in the fourth quarter.

The CHAIRMAN. Before you go into that, let me ask you this:

Do you or your outfit prepare the program of requirements for each industry or each one applying?

Mr. ANSHEN. No, sir. As Mr. Trigg just stated, each claimant agency is responsible for telling the Office of Program and Requirements, Defense Production Administration, which is our office——

The CHAIRMAN. Their needs?

Mr. ANSHEN. Yes; what their needs are each calendar quarter.

It is our job to add up those requirements into terms of how many tons of steel, copper, and aluminum they aggregate and then to compare them with the supply of steel, copper, and aluminum that will be available each quarter.

If the requirements are in excess of supply—and I would like to show you how far they are in excess of supply—then to make the decisions where that insufficient supply will go. That is our responsibility.

Senator YOUNG. Mr. Chairman, may I make a statement before he answers that question, as to the direct effect of the present allocations in the agricultural area?

Automobiles for pleasure purposes are available and combines are scarce. As the result much of our wheat crop remains unharvested. There has been a terrific crop loss. For example, I have figures from the Page Elevator Co. at Page, N. Dak., where they refer to some 16 shippers in the Duluth market.

The first one shows 43-percent damage, the second one 21-percent damage, the next 55-percent damage.

This 55-percent damaged wheat is sold for $1.10 a bushel. Wheat in good condition is normally sold at $2.20 or $2.25 on the local market. All of the wheat sales shows damage, from 17 percent to 55 percent.

That is a terrible situation. Someone has made a tragic mistake and we cannot keep going on that way. We will never meet our food requirements. Besides that, there will be a heavy loss in the total crop because when the wheat stays in the windrows for long periods of bad weather, it shrinks in weight from day to day and you will come up with a much smaller crop.

Mr. TRIGG. Senator, Mr. Anshen can give you some of the detailed figures on that, but is it not true that a lot of combines were not produced earlier that are needed now—in other words, I am simply pointing this out, that you do not produce combines in a few days' time, and perhaps the combines were not produced last year to be used this harvest.

Senator YOUNG. The International Harvester Co. said in the last few days that they have made all of the combines for which they could get steel. The tragic situation, as I say, is that you cannot buy combines but you can buy as many automobiles and other consumer goods as you want.

Mr. TRIGG. Well, that could be, but there is no system at present for saying to the International Harvester Co. "You shall take X tons of steel from your allotment and manufacture combines and take X tons of steel and manufacture hay balers," and so on down the line.

The point is that they are given so many tons of steel and it is up to them to use it in accordance with their best judgment as to need.

Senator YOUNG. The International Harvester Co. testified they were making less of practically every type of farm machinery than before.

Mr. TRIGG. That may be, I do not know exactly, but it could be because they did not get as much steel, or maybe there is some other reason why they are not making every type.

Senator YOUNG. Well, all of them testified that they were trying to get all the steel they could. One firm even went into the black market, according to testimony. They went there and paid exorbitant prices.

The CHAIRMAN. I understood that Mr. Anshen was going to answer a question.

Mr. ANSHEN. I would like to answer Senator Eastland's question, which I think has a bearing on this.

The CHAIRMAN. I think by answering that you might clear up a lot of these other things.

Mr. ANSHEN. Mr. Chairman, with all respect, may I say this is not a simple problem and it will take me more than 1 or 2 minutes to answer the question. It will take about five.

The CHAIRMAN. Proceed with your answer. I think it is very important that we have your methods of allocation.

Senator HICKENLOOPER. Well, my suggestion is this—first, I would like to have him answer—but I would like to say that as far as I am concerned and I am sure every member of this committee, no one in this committee is trying to put the automobile people out of business. That is not the point, but it is well known, at least as far as any information I have, that almost all of the dealers, automobile dealers, last fall had to carry over automobiles when the new models came out.

From the advertisements over the radio and in the newspapers the public was led to believe that you do not have to wait at all, and they are trying to get you to come in and buy automobiles off the floor, and apparently there is an ample supply of automobiles to meet the demand.

It is also well known that the consumers' durable-goods people, from the information I have, that the manufacturers had to use various devices this spring in order to force their dealers to take excess stock off of their hands because it was piling up to the point where it was becoming difficult to move, and they used pressure on their dealers and distributors to take them off their hands and store them in the warehouses.

Now, the point is that we have been in a diminishing supply of finished agricultural equipment during this period.

We find that cuts in the durable goods, for instance, and the cuts in automobiles are very slight indeed, and the cuts in agriculture for implements and farm machinery apparently are quite drastic not only in this third quarter and the fourth quarter but, as far as we can find out, the projected cuts for the next quarter of next year are very drastic.

The CHAIRMAN. I am sure that he is going to bear that in mind in his answer. What I would like to see you do, Mr. Anshen, is this in answering the question—and I hope that the committee will permit

you to answer it without interruption—I wish that you would also bear this in mind.

You say that all of these applicants for steel come in and present—let us say that the amount of steel is X and your production is Y, then it is up to you to decide how much will be given to each of the applicants?

Mr. ANSHEN. Yes, sir.

The CHAIRMAN. Now, in making that finding, I wish you would also go into details as to what yardstick you use. Why do you put a manufacturer of automobiles, which is not an essential, as just indicated, above the manufacturer of farm machinery or machinery that manufactures food or preserves food? I wish you would bear that in mind, and tell us exactly how you do it.

Mr. ANSHEN. I will try to answer and when I have explained if you feel I have not, point it out and I will be glad to try again.

I want to say at the outset that the production of passenger automobiles and consumers' durable goods is at a very much lower level in relation to pre-Korea than farm machinery, and I will develop that in detail.

In the first place, as I said, the claimant agencies present each quarter their programs or needs—military, petroleum, farm machinery, transportation, all types of industrial equipment, school, hospitals—everything.

We tell them how to put these figures together, to see that nothing is omitted and that there are no duplications. We tell them exactly how to translate all of these end products from tanks and ships and guns for the military, farm machinery, and agricultural implements, schools and hospitals for the Federal Security Agency, all of them concerned, we show them how to translate that machinery and the other end items into the steel, copper, and aluminum which is what we allocate.

We do not allocate the end products.

Each quarter they state their requirements to us after we have shown them how to translate those figures and we add them up and we compare the requirements with the supplies—of ocurse, obviously, if the total requirements were not in execess of the supplies, there would be no excuse for our agency being in business. I do not happen to have before me the third quarter comparison of supply and demand—I mean, I do not happen to have it for the fourth quarter but I do have it for the first quarter, which has just been added, and the figures are just about the same, the figures are very comparable for the third and fourth.

Now, the tonnage of carbon steel requirements as submitted by the claimant agencies added up to more than 30,000,000 tons—30,174,000 tons to be precise.

Now, we will have a supply of carbon steel—those figures, by the way, were for carbon steel—we will have a supply of carbon steel in the first quarter, assuming there is no scrap shortage—and you know how desperate the scrap situation is right now—of slightly above 19,380,000 tons.

Now, that means requirements as given to us by all of the claimant agencies represented 156 percent of supply.

In the case of structural steel to which I made reference Monday, where the situation is even more critical, the requirements were 205 percent of the anticipated supply for the first quarter.

In the case of carbon-steel plates, another highly critical item, requirements were 180 percent of anticipated supply.

I will not bore you by reading all the figures but I will be glad to supply them for the record. I have them here. However, let me say that in general for steel, copper, and aluminum, the initial unbalance between requirements and supply ranged from 156 percent, the figure I gave for carbon steel, which happened to be the lowest, to 205 percent for structural shapes, which happened to be the most unbalanced.

One more statement about requirements. Some people have said in the press and elsewhere that these requirements are little more than numbers that the agencies have picked off passing boxcars. However, I think you know since you have heard the testimony of Secretary Brannan and Mr. Geissler, the Administrator of the Production and Marketing Administration of the Department of Agriculture, that the Department of Agriculture makes a very careful effort to screen its own requirements back to what it is convinced is the essential level—and they said so before you. I want to assure you that every other claimant agency tries to do that same thing.

So, these numbers, these requirements as they are presented to us, do not represent—and any claimant agency will come here and tell you that—do not represent any impossible, wild estimates or impossible goals that they would like to get if this was heaven and not the earth we live on.

This is for the military, for transportation, for machine tools, for nuts and bolts and everything else and this is what every responsible claimant agency will tell you and has told you is a rock-bottom program. We have heard that story from everyone. For instance, we have heard from petroleum, "If you cut this program we will run into serious danger," and you will hear that about gasoline, you will hear it about electric power, electric power says, "If you cut, we will be having black-outs"—well, I will not take time to elaborate that, but I know you understand that these are, as I say, rock bottom.

Now earlier, Senator Eastland, just before Mr. Fleischmann had to leave, you said that "Agriculture has told us what it needs steel for" and you asked, "Why don't you give them steel?"

Well, the answer is in these numbers.

Defense has told us what it needs, their needs for copper, steel, aluminum; the Defense Power Administration has told us through Secretary Chapman, the story on power; they have all told us, and we have been told by the NPA what the needs are for machine tools in order to build the defense program.

We are told by the Federal Security Agency how badly they need steel for schools; in many of these areas where atomic energy plants are being built, or any defense plant, also, they have to have schools and hospitals.

The plain fact is that when we have added up the figures given to us by all these people who are responsible officials and who are all sincere, we find that the amount was more than 150 to 200 percent of the supply.

Senator EASTLAND. Well, have you not allocated more than you should for manufacturing pleasure automobiles?

Mr. ANSHEN. That is the point I am coming to, sir.

Senator EASTLAND. All right.

Mr. ANSHEN. The question that we face next is who gets cut, who gets what; how do we determine that?

As Mr. Trigg outlined Monday at the top of the machinery for deciding is the Interagency Requirements Committee. This is an advisory group that we pulled together to advise us, because this is an incredibly responsible and difficult job.

One of the reasons it is difficult, incidentally, is that we have inadequate data on how much material was used in all of these areas, pre-Korea, because our Government does not collect in time of peace the kind of statistics or material information that we find necessary in order to allocate. So, one of our major difficulties is that we have to try to estimate and guess, pulling in information form every possible source, to find out what a particular industry consumed before Korea, what was the current level in relation to the year before Korea.

Senator EASLAND. Well, you have tests.

Mr. ANSHEN. And that is one of them.

Senator EASTLAND. One of the tests is the need for essential requirements.

Mr. ANSHEN. Well, let me tell you how we apply that test. That advisory committee is made up of top-level advisers from the Munitions Board, from Agriculture, from all of the other that Mr. Trigg listed Monday.

Senator EASTLAND. Who represents agriculture?

Mr. ANSHEN. The Administrator of Production and Marketing Administration, Mr. Geissler, is on this committe for agriculture.

We have a staff attached to our office and all of these claimant agencies have their staffs that put these requirements together in the first place.

Before these come to the Requirements Committee we spend weeks reviewing every detailed program in every claimant agency, to try to find the deferables, since something must be deferred, and try to find the inflation because in all honesty, in putting together the figures inevitably there is some inflation, and to try to find mistakes in phasing, that is, when requirements are put in one quarter when they could have been spread out, as happens in many construction programs. We try then to put the figures nearer into balance, to try to wipe out of the picture all of the distortions and bad phasing, the less urgent items that everybody will agree can be deferred—and this is true in the case of schools and roads because the agencies themselves agreed that though those programs had been necessary and would be necessary, they could in an emergency wait for 6 or 12 months later.

So, we come into the Requirements Committee with the unbalance and we ask for the advice of all of these people sitting around the table, "What shall we do? We have all of these demands. We know that the military has screened them, they have eliminated the things just described and we are just going to give them their needs as de-

termined by the Joint Chiefs of Staff"—and it is the same thing for Atomic Energy——

Senator JOHNSON. How much is given for automobiles in the first quarter of 1952?

Mr. ANSHEN. We have not made that decision, we are making that now.

Now, unfortunately, when we make up the Atomic Energy and the military, the unbalance is even worse——

The CHAIRMAN. Why can you not put agriculture on a par with atomic energy and military, because without food neither could exist.

Mr. ANSHEN. Mr. Chairman, it is our conviction and it is Mr. Fleischmann's conviction and Mr. Wilson's conviction that agrculture is very important—and so is petroleum and so is electric power and so is transportation. It is our belief what we need is a balanced program.

Senator EASTLAND. Well, is it more important?

The CHAIRMAN. But, all of the rest of them, every one of them that you have mentioned, depend on food and fiber.

Senator EASTLAND. Is agriculture more important than automobiles?

Mr. ANSHEN. Yes, sir.

Senator EASTLAND. And have you so recognized it?

Mr. ANSHEN. Yes, sir.

Senator EASTLAND. I do not see that in your figures.

Mr. ANSHEN. Mr. Fleischmann pointed out a few minutes ago why those figures were in error.

Those figures that you quoted for the third quarter—let me clear that for the record—those figures in DTA Press Release No. 80 did not include any allotment of steel for the production of passenger automobles because they were given no allotment of steel in the third quarter, so therefore the statistics——

Senator EASTLAND. Where did they get the 2 million tons that they used?

Mr. ANSHEN. They had to scramble for it in the free market and I do not know at this moment if they got it all. They were given no tickets.

These figures that Mr. Wiman cited are an invalid comparison, because the figures for the third quarter were only for trucks and trailers and for the other quarters there were trucks and automobiles and spare parts.

Senator YOUNG. I think if you go into any agricultural area you will find what they need most is machinery, which is in short supply. Yet everything else is available and in ample supply.

Mr. ANSHEN. Well, we have made a rather careful study——

Senator EASTLAND. What period do you use for the automobile period?

Mr. ANSHEN. The average quarter in the first half of 1950. In the third quarter of 1951, if they could get the steel, they were allowed not more than 65 percent of that base period and in the fourth quarter they were cut substantially lower——

Senator EASTLAND. And what period do you use for agriculture?

Mr. ANSHEN. I want to answer that question right now. Secretary Brannan told you on September 20, and I will quote his precise words from his statement:

> Production of farm machinery was carried out at an all-time high rate during the first 6 months of this year but fell off during the third quarter to about the level of production in 1949.

In 1949 agricultural machinery production was just about the same as 1950, they were very close in terms of all of the figures I have ever seen. 1948 was a little higher, by a few percentage points. Those 3 years stand out in all of the history of agricultural-machinery production as unparalleled years.

Senator EASTLAND. Do you mean implements or crops?

Mr. ANSHEN. I mean the machinery.

Senator AIKEN. And we had an unparalleled population in those years.

Mr. ANSHEN. That is right. Now, the Secretary of Agriculture told you that the first half of this year was higher than 1950, 1949, or 1948. Our figures suggest it may have been as much as 20 percent higher.

Senator AIKEN. What would that be in tons?

Mr. ANSHEN. I do not have the tonnage; I will be glad to supply it for you.

Senator AIKEN. You have the percentage for agricultural and you do not have the tons?

Mr. ANSHEN. I do have a figure for average consumption in the base period.

Senator AIKEN. You do not know the tonnage used for the automobile industry for the first half of the year; could you give us a percentage on that?

Mr. ANSHEN. I will try to compare the figures from my notes. I will be glad to supply the balance as soon as I get back to my office.

From the 1947 Census of Manufacturers and from the Department of Agriculture's own reports based on industry data, I would think it fair to say that in 1949 and 1950 also, the average quarterly consumption of carbon steel for the manufacture of agricultural machinery was in the neighborhood of 550,000 to 600,000 tons.

Senator EASTLAND. That was 1949?

Mr. ANSHEN. The average quarter of 1949 and I think 1950 also was about the same rate.

Senator EASTLAND. Is that about right according to the industry?

Mr. WIMAN. That is correct, 1949 and 1950 were about the same; but the figure that the industry used was 690,000 tons and that is what was used in 1949.

The CHAIRMAN. Secretary Brannan told us, if I am right about the testimony he gave to this committee, or Mr. Geissler yesterday told us that in 1952 agricultural implements and tractors should be 115 percent in whole goods of the 1949 year; and for repair goods it should be 120 percent.

Now, the industry prepared a statement itself on farm equipment and showed consumption estimated at 688,000 tons for the quarter.

Mr. ANSHEN. May I say with all respect to Mr. Wiman, whom I have not had the pleasure of meeting, the statement of Secretary Brannan and the requirements presented to us in the first quarter of

1952 completely bear out my statement that the average quarter of 1949 was in the area of 550,000 to 600,000 tons. Let me explain why.

Secretary Brannan said that production in the third quarter fell off to about the level of production in 1949. There was allocated for farm machinery in the third quarter 606,000 tons of carbon steel, which is very close to that figure.

Mr. WIMAN. That is right.

Mr. ANSHEN. Which is very close to my point.

Point 2, the request given to us for the first quarter of 1952 for farm machinery was 688,950 tons, the figure you just cited, which I have been told by the officials of the Department of Agriculture represents a desired level of 115 percent of 1949. If you multiply 688,000 by——

Mr. WIMAN. That is right.

(See p. 342 for additional statement.)

Mr. ANSHEN. If you reduce that figure by 15 percent, you are pretty close to the figure I used.

Senator EASTLAND. What increased production of food and fiber have we got to have?

Mr. ANSHEN. I would like to deal with that problem, sir.

Senator EASTLAND. That is the question.

Mr. ANSHEN. We recognize the need for increased production of food and fiber just as we recognize—and we have had our noses rubbed in this one—the need for increased power production. We are facing a drastic situation in the Northwest right now.

Senator AIKEN. And in the Northeast.

Mr. ANSHEN. And the Northeast and the Southeast, and we may face a catastrophe in petroleum if we have further repercussions of the kind we are reading about right now in the Far East.

The CHAIRMAN. That catastrophe in the Northwest is not due to lack of steel. It is due to lack of water, is it not?

Mr. ANSHEN. There are possibilities for increasing the power supply out there as the Defense Electric Power Administration has been telling us, by providing steel for steam plants to balance an unbalanced hydro supply.

Let me come back, if I may, to this specific issue. We recognize the need for increased food and fibers, sir, I assure you we do, just as we recognize the need for increasing energy and petroleum and transportation and everything else that we need to make this country strong.

We know that farm-machinery production has been going up in the last decade at an absolutely unparalleled rate. You know that, too. Tractors have risen, combines on farms have risen at an equal rate, corn pickers have gone up at the same rate. The total farm power has risen, the index measure being from 100 in 1935–39 to 173 in 1950.

Senator HICKENLOOPER. May I suggest that the reserves of food and fiber in this country in the last 3 years have been steadily going down. If they continue even with this increased machinery business, I mean that is a factor.

Senator AIKEN. The amount of farm equipment has gone up as farm population and farm labor has gone down.

Mr. ANSHEN. There has been a dwindling there, I agree with you, sir.

Senator EASTLAND. And that will be accelerated now as these war plants open.

Senator AIKEN. I would say that while we might get along as it is now with the allocations which you have made, if they can get the material after allocations are made, we are not in a position to meet the demand if war actually breaks out.

Mr. ANSHEN. May I say, sir, with respect to getting their tickets cashed, that issue Mr. Fleischmann dealt with. We are all breaking our necks to make this come to pass because none of us want to be associated with a plan that is not working properly. This is a very complex administrative job.

It is our firm belief that the fourth-quarter operation in terms of cashing tickets will be vastly better than the third quarter was, and that by the end of this quarter we will have a smoothly running controlled materials plan as we had in 1943 and 1944 when it served so effectively to distribute materials to support our victorious war effort.

Now, that is quite independent of the problem of the allocation level because I assure you the problem of noncashing of tickets does not merely affect the manufacturers of farm machinery. It affects everyone who gets a ticket.

We have had complaints all over. We are thoroughly familiar with the situation, and we are doing our best to correct it. We know what causes it and we know what the cure is, but it takes a little time.

We are going to be in a much better position, and so are all the manufacturers of farm machinery with respect to cashing tickets in the fourth quarter than we were in the third. Now, let me come back to this passenger automobile question.

Senator JOHNSTON. Who passes on the amount of steel to be exported out of this country?

Mr. ANSHEN. We do.

Senator JOHNSTON. Don't you think you ought to save back a little bit that you are sending out at the present time, for farm machinery?

Mr. ANSHEN. We have examined export needs for steel just as carefully, and I think rather more carefully, because we are aware of the kind of criticism that can arise in a time of material shortage when any steel is exported.

As far as possible, we make them show us in advance what the steel is going into and we follow it afterward. We do not let the export agencies which are claimants, the Office of International Trade, and the Economic Cooperation Administration present requirements and just say "Here is our ticket," and give it to them. We put them through as tough a third degree as any of the other claimants, and I would invite any one of you gentlemen to sit through one of those sessions. We try to make them show us a complete justification for all of their claims, and we have cut them back sharply.

Senator JOHNSTON. What do you give steel for to, say, France or England?

Mr. ANSHEN. I cannot answer that off-hand, sir.

Senator JOHNSTON. Do you give them that to build bridges?

Mr. ANSHEN. They have been cut back so far that I think I can tell you now—I will bring in the figures or send them to you for the record—that they are using steel only for purposes which we would class here as of the utmost urgency in connection with our military program.

The CHAIRMAN. We had a witness that testified here yesterday or the day before who had a factory in Canada and who stated that 50 percent of his copper requirement came from exports from this country.

Mr. ANSHEN. Yes, sir. May I explain that?

The CHAIRMAN. I think it needs a lot of explanation.

Mr. ANSHEN. It can be explained, I think, in a few sentences, Mr. Chairman. The Canadians supply 95 percent of their own copper requirements.

Because of the way our two economies have been knit together before this war, about 5 percent of their copper and a similar small percent of their aluminum have always been bought from this country, because we alone possess the special fabricating facilities to make that 5 percent. They are special alloys, special shapes that they do not make. They cannot make up there; they have always bought here.

Now, I do not know of the case of the manufacturer you cite. They took from us this 5 percent of their total copper requirements. They did not take it. We allotted it to them deliberately, knowing exactly what we were doing, knowing exactly where it was going; and it may well be this manufacturer's special needs happened to be 50 percent of his copper requirement, but actually they supply 95 percent of their own requirements.

I want to say, if we cut the Canadian copper allotments, we have got to contemplate the fact that they are one of our more important suppliers of copper and aluminum.

Senator AIKEN. And nickel.

Mr. ANSHEN. Of course; and they can find other markets, and some of them are more attractive pricewise to them than ours is right now, and we are concerned to see that in this bargain we give them what they desperately need to assure that they give us what we need from them.

The CHAIRMAN. Do we understand that you get a lot of copper by way of exports from Canada?

Mr. ANSHEN. Canada gives us raw copper; yes.

The CHAIRMAN. A good deal more than we——

Mr. ANSHEN. Oh, much more tonnagewise. They get copper from us in fabricated form, Mr. Chairman, and they are very bitter about any cut-back. I have had very many sessions with them; and, while they are fine people, they are well aware of their strategic bargaining position.

The CHAIRMAN. You want to proceed with that automobile question?

Mr. ANSHEN. Yes; I would like to come to that, if I may, sir.

In the third quarter—this is a partial repetition of what Mr. Fleischmann said—of this year, automobiles were not under the Controlled Materials Plan. They were under a ceiling, a limitation order. They came under the Controlled Materials Plan in the fourth quarter.

That ceiling in the third quarter was equal to about 65 percent of their base-period production, which was the average quarterly output in the first half of 1950, average quarterly material input for the first half of 1950.

I would like to compare that, not because I think passenger automobiles should be compared with farm machinery in importance.

I am in full agreement with you about which is more important, but just in terms of magnitude.

Senator EASTLAND. Why do not you allow more steel and take it out of the automobile allocation?

Mr. ANSHEN. We have. That is what we are doing. I would like to point out just this comparison of magnitudes.

Farm-machinery production in the third quarter of 1951 by Secretary Brannan's own statement was about equal to the average quarter in 1949, which I think is fair to say was about equal to the average quarter of 1950. There was not much shift between those 2 years. I think Mr. Wiman would support that statement.

Mr. WIMAN. I would like to look that up, Mr. Anshen.

Mr. ANSHEN. I think it is about true. I am very confident; in fact, it is about true. I would not have asked you if I was not confident.

Compare 100 percent of the average quarter in 1950, which was the third-quarter level of production of farm machinery in this country, as Secretary Brannan told you, with about 65 percent of the base period, which was the ceiling imposed on automobiles, and remember that automobile manufacturers got no help in getting to that ceiling. They had to scramble for it in a very tight market.

For the fourth quarter we cut automobiles back further. They were cut then to a level that was about 10 percent—roughly, a little less than 10 percent—below 65 percent of their base period.

In the fourth quarter, if my figures are at all accurate as to the consumption of steel in making farm machinery in the average quarter 1949, farm machinery got pretty close to 100 percent, not about 50 percent.

Senator EASTLAND. You mean in the fourth quarter as compared to the third?

Mr. ANSHEN. In the fourth quarter; yes, sir. They were allotted in the fourth quarter about 560,000 tons. That may have been 5 percent below the average quarterly consumption in 1949.

Senator EASTLAND. They were allotted 673,000 tons in the third quarter.

Mr. ANSHEN. 606,000 tons was actually the amount of tickets they issued to the industry. They had a higher allotment, and they did not issue all of it.

Senator EASTLAND. You mean they did not use all of it?

Mr. ANSHEN. They did not issue it to the manufacturers. They actually alloted 600,000-odd tons.

The CHAIRMAN. I think the chief complaint as to the fourth quarter and also the third was that they got the tickets and were unable to get the steel.

Mr. ANSHEN. Mr. Chairman, I agree with you. That is a complaint not only in farm machinery, and you have had a full statement already on that from Mr. Fleischmann.

The CHAIRMAN. Yes; that is right.

Senator JOHNSTON. Well, if there is not some way after you make the allocations for them to get it, isn't it true that probably then some of the big concerns will get their orders filled and the little fellows won't get theirs?

Mr. ANSHEN. I do not think so, sir. Any action by a steel mill to throw out an order which is placed with it by a small consumer in favor of an authorized controlled-material order placed by a big one

is an illegal act, and as fast as we find those cases Mr. Fleischmann has given you his assurance he will try—he has tried—to run them down, and we will pursue them.

Senator JOHNSTON. How did they turn anybody down there? Who did they turn down? Just who is this that they turned down?

Mr. ANSHEN. They turn down people who come to them with orders after their order books are full. I outlined on Monday, I think, in my testimony why we had had a surplus of authorized orders in the third quarter. Mr. Fleischmann referred to it again this morning.

We will have less of that in the fourth quarter, and I think in terms of our experience we have every reason to expect we will have a negligible amount of it thereafter.

Senator EASTLAND. How can you tell what percent of this 3,500,000 tons allocated for motor vehicles in the fourth quarter is going into automobiles and what percent for trucks?

Mr. ANSHEN. Because we tell them how many passenger cars to make and how many trucks. They file application separately for trucks, and we not only tell them how many trucks but we tell them how many heavy trucks, how many medium trucks, and how many light trucks.

Senator EASTLAND. All right. Now, for the fourth quarter what percent of this 3,464,000 tons is for automobiles? That is what I want to find out.

Mr. ANSHEN. I may be able to give you that answer from this. Yes; I can tell you the fourth-quarter breakdown among all the products in the Motor Vehicle Division jurisdiction. I would like to qualify these figures by saying that there is a continual adjustment of these numbers. They return some types of materials; we give them others, and so on, so that they may not agree completely with other figures you have had before you.

We allotted to the Division as a whole for the fourth quarter 2,996,000 tons.

Senator AIKEN. That is for the fourth quarter?

Mr. ANSHEN. For the fourth quarter.

Senator EASTLAND. For automobiles?

Mr. ANSHEN. No; that is for the whole Division. I want to break it down now.

Senator EASTLAND. Wait a minute; these figures of 3,464,000——

Mr. ANSHEN. I beg your pardon, sir.

Senator EASTLAND. I say these figures of 3,464,000 tons——

Mr. ANSHEN. That was all steel, sir. I am just giving you the carbon-steel figure at the moment.

Senator EASTLAND. Oh, I see. That was two million what?

Mr. ANSHEN. I have this figure of 2,996,000. As I say, there are adjustments in and out. There are changes between a division and a claimant agency.

The military may want some trucks, may allot some steel over. These figures shift. They do not shift far, and I think this will serve to illustrate the point. I will be glad to furnish to the committee further details.

Senator AIKEN. This does not in any way include military equipment?

Mr. ANSHEN. Yes; this includes military trucks; yes, sir.

Senator AIKEN. I thought we were told it did not.

Mr. ANSHEN. May I have this gentleman answer that?

Senator AIKEN. You just said the Defense Department would allot them additional steel.

Mr. ANSHEN. They might on occasion.

The CHAIRMAN. Mr. Stone, will you give your name in full to the reporter.

STATEMENT OF FRANZ STONE, ASSISTANT ADMINISTRATOR, INDUSTRIAL AND AGRICULTURAL EQUIPMENT BUREAU, NATIONAL PRODUCTION AUTHORITY

Mr. STONE. Yes, sir. Franz Stone, Assistant Administrator, Industrial and Agricultural Equipment Bureau.

The CHAIRMAN. What was the question?

Mr. ANSHEN. The question was whether there were military trucks included here.

Mr. STONE. Civilian-type military trucks are included here.

Senator JOHNSTON. Is it true when you authorize these additional trucks you give them an additional amount for those trucks? Isn't that right?

Mr. STONE. No, sir. The amounts that go for civilian-type military trucks are included in the total figure that comes there. When the contract goes to the particular motor-vehicle producer who gets it, then an additional allotment is made to him, but that has been reserved out of this entire amount.

Senator EASTLAND. The question I asked was: How many tons were allocated in the fourth quarter for automobiles?

Mr. ANSHEN. I am just about to answer that, Senator. Passenger cars were allocated 1,583,000 tons.

Senator AIKEN. 1,583,000?

Mr. ANSHEN. Yes, sir.

Senator EASTLAND. That is the fourth quarter?

Mr. ANSHEN. These are all fourth-quarter quarters.

Senator EASTLAND. All right. Now, what was consumed in the third quarter?

Mr. ANSHEN. Mr. Fleischmann cited that figure earlier in the testimony, sir.

Senator AIKEN. He said the allocation in the third quarter was for trucks only.

Mr. ANSHEN. That is right, sir.

Senator EASTLAND. But what was consumed?

Mr. ANSHEN. Mr. Fleischmann cited it earlier. I cannot seem to lay my hands on it.

Senator EASTLAND. I did not understand it, if he did.

Senator AIKEN. In the third quarter—let's get this straight—there was an allocation for trucks; but, as for passenger cars, the allocation was whatever they could get in the way of materials.

Senator EASTLAND. That is right, but how much was consumed then?

Mr. ANSHEN. I have a figure, sir.

The CHAIRMAN. Three million, four hundred sixty-four thousand, three hundred.

Mr. ANSHEN. That was everything, sir. Here is the passenger-car figure for the third quarter. Mind you, this was not allotted to them.

This was the material that they would have had to scramble for to make 1,200,000 cars, which was the ceiling.

If they got all of that steel in the free market, they would have consumed 1,850,000 tons of carbon steel for passenger cars, sir.

Senator EASTLAND. There really is not an appreciable reduction, then.

Mr. ANSHEN. That, however, was 65 percent of what they consumed in the average quarter, first half of 1950, sir.

. Senator EASTLAND. I know, but we are confronted here with meeting requirements to feed and clothe the American people. Without cotton you cannot run a war plant. It looks to me, if you are going to meet the goals and avoid food rationing, you have got to manufacture more farm implements and equipment.

It looks to me like the automobile industry is the place to get it. Frankly, I think you are discriminating now against farm machinery in behalf of the automobile industry.

Mr. ANSHEN. Senator, I really cannot feel that it is discrimination against farm machinery to cut the automobile industry to close to 50 percent of its base period and maintain farm machinery at 100 percent.

Senator EASTLAND. Well, you used a different year for the base-period.

Mr. ANSHEN. I used 1950, sir. It is the same year.

Senator EASTLAND. And 1949 for them.

Mr. ANSHEN. That was the same as 1950, sir.

Senator EASTLAND. But you have reduced them only 203,000 tons.

Senator HICKENLOOPER. I think this factor enters into it. I cannot say this is accurate. It is my impression, however, that we have an ample supply of automobiles in the country, I mean for all reasonable needs.

In fact, last fall I am quite sure there was a surplus of automobiles in the country, a carry-over. We have a shortage of farm machinery at the present time, and farm machinery is still further to be cut, and the supply of automobiles which your allocation gives here promises to be fully ample to meet the demands of everybody who wants to buy a new car this year, and perhaps next year; I don't know.

So you have a supply of automobiles that is adequate to meet the needs, and a shortage of farm machinery. I think that that is a factor involved.

Senator AIKEN. Is it not true, Mr. Anshen, that the automobile industry is reluctant to convert its present facilities to the manufacture of war materials?

Mr. ANSHEN. I would like to have Mr. Stone speak to that.

Mr. STONE. No; I do not believe that is essentially true, sir.

Senator AIKEN. May I remind you that the staff report of the Senate Small Business Committee indicates that General Motors is only using 10 percent of its present facilities in the manufacture of war material, while at the same time they are constructing 41 new plants at a cost of $245 million under the new tax deferment plan.

Now, if we cannot furnish them material enough to operate what facilities they have, what is the situation going to be when the new industrial construction program is completed and our industrialists

have taken advantage of the $9 billion in tax deferments to construct new facilities?

Mr. ANSHEN. I would like to comment on that, Senator, if I may.

Senator AIKEN. That is what bothers me. If they are only using a small percentage of their present facilities, I can understand their reluctance to convert. It costs money to convert. It is inconvenient to reconvert even though the profits may be large.

Mr. ANSHEN. I think there are other reasons. I think Mr. Stone could give you the detail on this. You cannot build jet engines in an automobile plant.

Mr. STONE. That is right.

Mr. ANSHEN. You need a special type of plant to do that.

Senator AIKEN. You mean you cannot build a jet——

Mr. ANSHEN. Mr. Stone is from the industry.

Mr. STONE. You cannot build a jet engine, sir, by and large, with the same equipment that you use to make passenger-car automobiles. The facilities are simply not suitable for doing it.

One of the divisions that happens to come under my jurisdiction is the metal working equipment division in which falls machine tools, and there one of our principal problems is connected with getting the type of macinery which is necessary for the building of these new type of engines that are required in airplanes.

Senator AIKEN. But have not you been under pressure to keep their regular facilities operating at somewhere near capacity?

Mr. STONE. Oh, yes, of course. The automobile people naturally want more steel. Of course they do.

Senator EASTLAND. I would like to ask this question; it is right in line with what he said. Who in the Government has interceded for this allotment for automobiles?

Mr. STONE. Who has what, Senator?

Senator EASTLAND. Has anybody in the Government interceded to get the automobile industry this allotment?

Mr. STONE. The Defense Transportation Administration represents as a claimant the entire transportation industry, and the things connected with it.

Senator EASTLAND. I know, but did anybody in the Government intercede to get the automobile industry this allocation?

Mr. STONE. The claimant agency for passenger-car automobiles, trucks, railroad equipment, and so on, is the Defense Transport Administration.

Senator EASTLAND. Is that the only agency?

Mr. ANSHEN. It is their responsibility to state requirements.

Senator EASTLAND. Is that the only agency in the Government that interceded?

Mr. STONE. Can I proceed a little farther, please, Senator?

Senator EASTLAND. Yes, if you will answer my question.

Mr. ANSHEN. Yes, sir. The NPA's Motor Vehicle Division has a responsibility for translating those requirements into the controlled materials, so that they can be presented to the Requirements Committee of the Defense Production Administration, so that in a sense the Motor Vehicle Division participates in that decision by translating——

Senator EASTLAND. Were they the only ones that interceded?

Mr. ANSHEN. I am not aware of anyone else participating in a claim for passenger automobiles. As Mr. Stone just stated——

Senator EASTLAND. I would like to know this. Did Walter Reuther intercede? Did he have anything to do with getting that allocation?

Mr. ANSHEN. I have no knowledge of any such intercession on his part, sir.

Senator HICKENLOOPER. May I ask this question. Was a decision almost arrived at for a far lesser allocation to the automobile industry and then changed and the allocation stepped up before the final decision?

Mr. ANSHEN. Not to my knowledge. I have no knowledge of that, sir.

Senator EASTLAND. You gentlemen know that allocation is grossly unfair. You are giving the automobile industry too much steel. I think you are going to cause food rationing in this country.

Senator AIKEN. Who is the claimant agency for the railroads?

Mr. STONE. The Defense Transport Administration.

Seantor AIKEN. And the railroads got the full amount of their allocation?

Mr. ANSHEN. Oh, no. Believe me, sir, we have been bitterly criticized for cutting them back before other committees.

Senator AIKEN. I said the full amount of their allocation they were able to buy steel with——

Mr. ANSHEN. No, sir; they have not gotten all of their allocations. There is no program that I am aware of that has not come to us with claims of unplaced tickets. There is none, including the military. I have dealt with them daily on this subject.

Senator AIKEN. In other words, they went into the open market?

Mr. ANSHEN. They are not allowed to go into the open market. No one who is under the controlled materials plan is allowed to buy from any source more than we tell them. There is no open market in steel today in this country except for foreign steel.

Senator AIKEN. I am speaking of the third quarter.

Mr. ANSHEN. In the third quarter they were under the controlled materials plan, and they were not allowed to purchase more than we allotted to them. They could not go into the open market.

Senator AIKEN. They got 882,000 tons, though.

Mr. ANSHEN. They did not get all of it.

Senator AIKEN. What did they get?

Mr. ANSHEN. I don't know——

Mr. STONE. Perhaps I can answer that better than Mr. Anshen.

Senator AIKEN. And what is the increase for? Why is the increase more than double in the fourth quarter? For what purpose would that be used?

Mr. STONE. For railroad equipment? The same technical problem arises that Mr. Fleischmann discussed in connection with consumer durable goods and passenger-car automobiles.

In the third quarter the allocations to the railroad equipment division were for locomotives and for freight cars, tank cars, and so on, but did not include their requirements for rails, MRO, and so on, which were handled under a different method, and consequently did not appear in the figures you have.

Senator AIKEN. They allocated enough material to give them 10,000 box cars a month.

Mr. STONE. Ten thousand freight cars, yes, sir.

Senator AIKEN. And they have nearly reached that production, have they not?

Mr. STONE. They did almost reach it in May, sir.

Mr. ANSHEN. Not since then. They have had strikes and other difficulties. Pullman had a serious strike.

Senator AIKEN. At about what level are they producing now, do you know?

Mr. STONE. No; I do not, sir. I can find that out and send you the figures for the record.

Senator AIKEN. But reasonably close to the 10,000?

Mr. ANSHEN. It is getting up to it. Mr. Stone will supply the figures, sir.

(The information referred to above is as follows:)

DEPARTMENT OF COMMERCE,
NATIONAL PRODUCTION AUTHORITY,
Washington 25, D. C., September 28, 1951.

Hon. GEORGE D. AIKEN,
United States Senate, Washington 25, D. C.

DEAR SENATOR AIKEN: Yesterday you asked a question regarding the level of freight car production. Listed below are the yearly totals 1947 through 1950 and the monthly totals for the year 1951 through August.

As you will note the level reached nearly the 10,000 mark during May and June and dropped sharply in July due to vacations, picking up again in August.

United States freight car deliveries[1]

1947	68,522	1951—March	7,011
1948	112,640	April	8,274
1949	92,562	May	9,774
1950	43,991	June	9,644
1951—January	5,949	July	5,290
February	5,842	August	7,183

[1] Includes class I railroad freight cars, tank cars, and private refrigerator lines.

The lower production in July and August was occasioned in part by a strike at the plants of one of the principal producers—the Pullman Standard Car Co. This has now been settled and we expect production to reach the levels anticipated by the program determinations of the Defense Production Administration.

Sincerely yours,

FRANZ T. STONE,
Assistant Administrator,
Industrial and Agricultural Equipment Bureau.

Senator AIKEN. I am sorry, I had heard that they were able to purchase nearly as much steel as their allocations called for.

Mr. ANSHEN. Could I make a comment on that, sir? Unfortunately for our peace of mind we do not get reports from industry when it is able to place its tickets. They come yelling for help and we do not know when they don't need help. All we hear is the complaints.

Senator AIKEN. How can you regulate the industry if you do not have that information?

Mr. ANSHEN. Because we know what the mill shipments were. We get a report every month from the steel mills showing their shipments, broken down by programs, and we have been able to compare those with——

The CHAIRMAN. And to whom shipped?

Mr. ANSHEN. No. They ship hundreds of thousands of orders, sir. It would be impossible. They get it broken down by a great many programs which we are then able to compare with the amounts we

allotted to those programs, and see the extent to which the programs have been carried out.

That system of reporting began, I believe, with the month of July. The figures run about 60 days late because it takes time to get them in every month.

Senator AIKEN. I was asking for that information to find out what the situation is and how it is working.

Mr. ANSHEN. It is working better all the time. It has not been working well in the third quarter, and no one knows it better than we do.

The CHAIRMAN. Now, in making your allocations, it has come to the committee's attention that when you allocate, let us say, carbon steel for the manufacture of tractors, that a certain amount of copper, a certain amount of aluminum or some alloys are necessary to balance off this allotment of steel.

Now, what precautions do you take to see to it that a manufacturer of, let us say, farm implements, including tractors, gets a sufficient amount of steel and copper and aluminum and other material so that he can manufacture a given amount of implements with the steel you furnish him?

Mr. ANSHEN. The manufacturer applies, on one piece of paper, for his steel, his copper, and his aluminum. He gets an allotment of steel and copper and aluminum on one piece of paper to carry out the production schedule that those materials will support.

I want to add one thing, Senator. You know, I am sure, as well as I do how desperately short we have been of copper and aluminum. As a result we have had to try whenever we thought it was feasible to pinch and scrape back on copper and aluminum, and I know that manufacturers have felt that they have not received a balanced allotment of all three materials.

I can only say—Mr. Stone will enlarge on this for you because his divisions are responsible for processing the paper—we have tried so far as the supplies of material will permit, to give industry a balanced assortment.

You will appreciate that we do not think it makes sense to give a man steel and not copper, if he needs the copper to make the product that he makes the steel with, but we have been in a terrible switch because of the aluminum and the copper shortage. I would like to have Mr. Stone tell you about how that is processed.

The CHAIRMAN. We would like to have that.

Mr. STONE. In general it is the problem that Mr. Anshen states, and it would be insoluble if it were not in the first place for the ingenuity of American industry, and in the second place for the qualified people which we have been able to surround ourselves with at NPA.

For example, here is Mr. Oheim, who is the director of the Farm Equipment Division. He comes from a farm equipment company and he understands the business thoroughly. He has spent most of his adult life in it.

In view of his long knowledge of this industry, he takes each application that comes in from each individual producer, analyzes it with the staff that he has with him, and in view of that analysis tries to allocate the various materials so that for each producer as nearly a

balanced program as is possible will be achieved. Unhappily, we cannot always achieve an entirely balanced program.

The CHAIRMAN. There was another complaint made, as I recall it, that steel manufacturers are refusing to take fourth quarter allotments because the third quarter allotments have not been filled.

Senator AIKEN. They have been canceled, have they not?

The CHAIRMAN. I want to ask, what is the procedure in such a case?

Mr. ANSHEN. I cannot understand the situation which you describe, sir. Could you give us some of the names?

The CHAIRMAN. It is in the record.

Mr. ANSHEN. I just cannot understand that.

Senator AIKEN. Aren't the unfilled third quarter allotments to be canceled?

Mr. ANSHEN. I think after October 7 I believe the recently issued or shortly forthcoming regulation will say or has said, any shipments against third quarter orders made after October 7 must be charged against fourth quarter allotments.

The CHAIRMAN. In other words, any third quarter allotment unfilled by a certain date is canceled?

Mr. STONE. That is right.

Mr. ANSHEN. Shipments will be charged against the fourth quarter.

The CHAIRMAN. But are they canceled?

Mr. ANSHEN. Yes, sir; the same thing.

The CHAIRMAN. And they have got to then resort to the fourth quarter?

Mr. ANSHEN. To the fourth quarter, that is right. We have got to wash this bad third quarter which, as Mr. Fleischmann said, all of us who lived through it knew was inevitable out of the system if we are going to quarantee tickets will be honored in the future. It must be done.

Senator AIKEN. I think you are right about that.

The CHAIRMAN. I notice Mr. Franz Stone is Assistant Administrator of the Industrial and Agricultural Equipment Bureau, NPA, and Mr. Hartwell is Acting Chief of Foods, Fats, and Fiber Processing Machinery, and Mr. Oheim, Director of Agricultural Machinery and Implements Divsion of NPA.

Now, what method is pursued in allocating whatever is given to agriculture to these various manufacturers of agricultural implements in contrast to processing equipment?

Mr. STONE. The same basic procedure is followed in the case of agricultural equipment as is followed in the case of food-processing equipment. There is a split-up as between the product codes. We allocate by product codes and then by particular companies that make the things that fall within those product codes.

The CHAIRMAN. Now, when agriculture gets a certain amount of allocation, then the distributions is made in the manner in which the presentations are made for each separate industry such as food processing, agricultural implements, and things like that of agriculture?

Mr. STONE. It is made pursuant, sir, to an individual submission by each producer on a CMP application form in which he states what he requires, why he requires it, and he is supposed to have taken into consideration his inventory position as of the beginning of that quar-

ter to the best of his ability to estimate it at the time he had to make the submission.

The CHAIRMAN. So that after the allocation is actually made let us say to agriculture for the manufacture of implements and then for food-processing machinery and other things connected with agriculture, there is no shift from one to the other. Each receives whatever the original request was based on or was made.

Mr. STONE. No, each receives a figure, and then it is distributed in the best possible manner in the view of the people who come from industry and have spent most of their active life in that industry as to how that can be utilized.

The CHAIRMAN. I thought Mr. Anshen said just now that agriculture got 100 percent of its base.

Mr. ANSHEN. They got in the fourth quarter about 560,000 tons.

The CHAIRMAN. Which is 100 percent?

Mr. ANSHEN. In my judgment that is very close to 100 percent of what was consumed in the average quarter of 1949 or 1950 for making farm machinery.

The CHAIRMAN. Now, in making up that 100 percent, did you allocate to the producers of agricultural machinery and the producers of processing machinery that 100 percent?

Mr. ANSHEN. Mr. Chairman, may I say one thing? The requirements were larger than the tonnage that was allotted to the division. When you added up all the applications, they came to a larger figure than this.

Mr. STONE. Oh yes, substantially.

Mr. ANSHEN. So that if you gave them what they asked for, we would have given them more than we made available to——

The CHAIRMAN. I understand, but still if you say you gave 100 percent of their base period, then necessarily it should follow that each industry, that is those manufacturing farm machinery, tractors and motors and things of that kind, would treat it in proportion to what that base period was.

Mr. ANSHEN. They might have had different base periods, sir.

The CHAIRMAN. But you accepted 1949, you said, which was equal to 1950 or vice versa?

Mr. STONE. Senator, may I clear up what I think may be a slight confusion?

The CHAIRMAN. What I would like to clear up for the record is that difference, because it seems that we have certain manufacturers coming here and saying that they are short say 70 percent, another will come in and say 90 and another one 85

There is some discrepancy among them, and what I would like to clear up for the record is that if you have allotted to farm machinery and these other manufacturers of machinery necessary for processing, if you have given the industry as a whole this 100 percent that they received say in the base period of 1949 and 1950, was the allocation made on whatever their history was at that time or just exactly how did you do it?

Mr. STONE. When you say the industry as a whole, sir, I think that that is where we fall into a slight confusion from the standpoint of the committee and everyone who is listening, because the food processing equipment is not in the same division as the agricultural machinery and implements.

They are in two different divisions of NPA, and the Defense Production Administration did not allocate to the General Industrial Equipment Division, which has food processing, on the same basis as it did to the Farm Machinery Division.

The CHAIRMAN. But who made representation for that? Didn't Mr. Geissler do it?

Mr. ANSHEN. Mr. Geissler stated the requirements in terms of machinery.

Mr. STONE. And we translated them into terms of material.

Mr. ANSHEN. This gentleman's division translated the requirements into the material, copper and aluminum, and told us how much material was required to meet Mr. Geissler's request.

The CHAIRMAN. And that was as to all, that is farm machinery as well as processing machinery?

Mr. ANSHEN. Separately, yes, sir.

Mr. STONE. But they were submitted separately, sir.

Senator AIKEN. Have you been in the farm machinery business? What was your business before you came with NPA?

Mr. STONE. My business is the Columbus McKinnon Chain Corp. of Tonawanda, N. Y. We are manufacturers of chains and hoists.

Senator YOUNG. What is the prospect for allocations of steel to farm-machinery production for next year?

Mr. STONE. I think we would have to turn that question over to Mr. Trigg and Mr. Anshon who are the Requirements Committee, sir.

Mr. ANSHEN. We are studying the balance for the first quarter right now. Our staff and the staffs of the claimant agencies for 3 weeks past have been reviewing this requirements supply balance that I have been describing to you.

The first quarter decisions have not yet been made. The Requirements Committee will start to function next week. It will meet for several days, and we hope that the first quarter decisions can be made by about the 10th of October.

Senator EASTLAND. What is your opinion about it?

Mr. ANSHEN. Sir, at this time I really cannot say. We are faced with this unbalance which is indicated by the figures that I read off earlier, and we are faced by additional problems which I would like to lay very briefly before you.

We face the prospect of a substantial loss of aluminum output in the first quarter because of the Northwest power situation. You have been reading about that in the papers. I need not enlarge on that.

In the face of that possibility—and we are doing everything we can to try to alleviate what would be a disaster——

Senator YOUNG. That was a messed up situation in the first place. I can see no reason why they put those plants out there when they already knew there was a power shortage. I think that would bear investigation.

Mr. ANSHEN. In the face of that possibly decreased aluminum supply if the worst happens, we are confronted with substantially higher, very much higher military requirements for planes, that is the principal use of aluminum, in the first quarter as compared with the fourth.

In the case of copper we hope to have a small increase in the supply in the first quarter, but the increase in military requirements which we are to start reviewing with the military tomorrow morning and

we will spend several days with them on this, their increased requirements are several times the increase in the copper supply from the fourth quarter to the first.

Senator EASTLAND. Then your judgment is there will be further reductions, is that right?

Mr. ANSHEN. My judgment is that the first quarter is going to be a terribly difficult one all along the line if we are to meet these vastly increased military requirements.

Exactly how the ultimate program decisions will be made I cannot tell you. I do not know. We are working day and night on this problem right now.

Senator YOUNG. May I suggest, I believe you could save yourself a lot of trouble if you give first priority for farm machinery repairs and hold back a little steel which you could allocate for emergency situations.

For example this fall it took about a month to get steel for carrier chains to be used on potato diggers. These wear out two and three times in a busy season, and you cannot operate even a new potato digger without a carrier chain. It does not seem necessary to go to all that trouble to get a little steel. It was only a small amount. If you would hold back a little for emergency repair purposes, it seems to me that you could save yourselves——

Mr. ANSHEN. Senator, that is exactly what we do, as Mr. Stone will tell you.

Mr. STONE. Senator, on that particular case I looked into it pursuant to a request from your office, sir, and the problem was not that the producer did not have a sufficient allotment of steel. The problem was getting his steel actually delivered.

He had his order placed and everything else, and finally we had to issue a directive, as you probably know, on the steel mill in order to get that steel delivered, but that displaced again some other order which presumably had urgency, too, or it would not have been there.

Senator YOUNG. That was certainly a must. I do not know of anything that would be more important than furnishing repairs for——

Mr. STONE. As you know, we did do it.

Senator YOUNG. Yes, and I appreciate what you did.

Senator AIKEN. I notice in the morning paper that the Navy has stopped serving beef in camps in England and will serve it only on shipboard now. The Army has had to go abroad to purchase beef or to attempt to purchase it, because they cannot even get anyone to bid on it in this country.

Mr. ANSHEN. Isn't that a price problem, sir?

We do not deal with prices.

Senator AIKEN. It is not a price problem. It is a problem of scarcity, and it is going to get worse. These are just forerunners.

Senator HICKENLOOPER. Well, I think it is a price problem. There is plenty of beef in the country. I will not say beef. There are plenty of animals in the country.

Senator AIKEN. Several million head of heifers and cows are not going to market because producers have been told they have to supply more beef and they cannot do it if they sell the breeding stock.

The CHAIRMAN. I think we have enough trouble with steel and copper and aluminum, Senator.

Senator AIKEN. The shortage of beef for the Army and Navy is going to be accentuated unless you get machinery and equipment to produce the beef and cattle. That is the tie-in which I was coming to.

The CHAIRMAN. Is there anything further you desire to add in order to clear the atmosphere?

Mr. ANSHEN. I think I have answered your questions.

The CHAIRMAN. Is there anything further you would like to add, Mr. Stone, or any of you gentlemen? Are there any further questions?

Senator EASTLAND. The automobile industry was permitted to acquire 65 percent of their steel in the third quarter that they acquired in the 1950 base period, I believe.

Mr. ANSHEN. I think the actual figure was 63, close to 65 percent; yes, sir.

Senator EASTLAND. About how many tons was that under the allotment?

Mr. ANSHEN. There was no allotment made in that quarter. In tonnage it amounted to about 2,050,000 tons, but there was no allotment. They were just free to scramble for it up to that ceiling.

Senator EASTLAND. What percent did they buy?

Mr. ANSHEN. I don't know.

Senator HICKENLOOPER. Mr. Chairman.

The CHAIRMAN. Senator Hickenlooper.

Senator HICKENLOOPER. I just want to suggest that even based on the allocation for the fourth quarter, the steel allocation in the farm implement field, probably the increase necessary for next year would be in the neighborhood of 400,000 tons of steel for the whole year, an increase over the fourth quarter of this year of about somewhere from 100,000 to 120,000 tons of steel per quarter, and if production of food is as vital as most of us seem to agree it is, it would seem to me that that extra steel, based upon the vital needs for food production and also based upon the fact that the machinery produced and sold next year is usable for 5, 6, or 7 years in the future, I mean we are building against the time when we may from necessity have to cut down to a very low level.

As I said yesterday, it seems to me that this is the time to keep fabricating that machinery, because you cannot make it in 10 days.

I just want to read a little something into the record at the moment because it seems that the attitude has changed somewhat. I am going to ask Mr. Fleischmann about this when he comes on the stand, but I would like to read it now in the record.

Apropos of the very thing we have been talking about, this is from the testimony of Mr. Fleischmann on March 19, 10, and 21 of this year before the House Committee on Agriculture, the Subcommittee on Fertilizer and Farm Machinery. In response to a question—I am reading from page 178 of this report of the testimony—Mr. Fleischmann said:

> Let me say this, sir. I agree with you in large part. We have to say, for example, that the production of farm machinery is more important, let us say, than the production of automobiles or ash trays or of a variety of other things. That has to be said.

Then Mr. Abernethy went on with a discussion. Mr. Fleischmann said again:

> As you perhaps know, we put limitations on automobiles for the precise reason that you mention, whereas no limitations have been put on farm ma-

chinery. That is, as you can see, a judgment of essentiality right there, and we are making those.

Now this was in March when at that time they realized that farm machinery was utterly essential. I just want to read another excerpt or two. The chairman of the subcommittee said this on page 185:

Suppose you were to fix your categories and then put out the defense needs, rolling stock for railroads, ship lines and the petroleum industry and agriculture, and you know that all of those industries are essential not only to the civilian needs but they are essential to the military needs. It seems to me that with the power of your office you could protect all of the essential needs of all of these vital industries.

Mr. FLEISCHMANN. Yes, sir.

The CHAIRMAN. And then let the residuary go to nonessential civilian needs as far as it will go.

Mr. FLEISCHMANN. That is precisely what we are going to do.

The CHAIRMAN. Senator, as I indicated earlier, Mr. Fleischmann will be back here at 2:30.

Senator HICKENLOOPER. I understand.

The CHAIRMAN. And I wonder if you could propound those questions to him when he reappears.

Senator HICKENLOOPER. The only reason I am reading these questions now, it does not make any difference whether I read them now or some other time, but we have been discussing this very thing about the essentiality, and I get the general impression that there has been some change in the thinking about how essential agriculture may be so far as the reduction of its allocations are concerned at this time, but I am perfectly willing to wait until Mr. Fleischmann comes back.

The CHAIRMAN. Off the record.

(Discussion off the record.)

The CHAIRMAN. If there is no objection, the committee will stand in recess until 3 o'clock this afternoon.

(Whereupon, at 12:15 p. m. the hearing was recessed to reconvene at 3 p. m. this same day.)

AFTERNOON SESSION

The CHAIRMAN. The committee will come to order.

STATEMENT OF MANLY FLEISCHMANN, ADMINISTRATOR, DEFENSE PRODUCTION ADMINISTRATION—Resumed

The CHAIRMAN. Mr. Fleischmann, I understand the Chemical Division of the National Production Authority in which the agricultural nitrogen expansion program is included, for the fourth quarter of this year asked for 56,000 tons of structural steel and they were allocated only 19,000 tons. The Chemical Division of NPA did not allocate a single pound of this allotment to the nitrogen program which had been recommended by the Department of Agriculture as claimant agency and endorsed by both the NPA and the DPA after having the subject under study for a 6-month period.

My question is: Why did not this essential nitrogen program get a higher rating and a share of the steel allocated to the Chemical Division in the first quarter?

Mr. FLEISCHMANN. Senator, I cannot answer that specifically because I was told you wanted me to testify on farm machinery, but I

can give you the general principles that apply to an application of that kind.

The CHAIRMAN. All right.

Mr. FLEISCHMANN. In the fourth quarter of this year we were faced with this situation in making allocations; the demand for structural steel to complete construction projects was 223 percent of the supply. In other words, for every ton of steel there were 2.23 people that wanted that supply of structural steel.

Here is the way we distributed it. In the first place, there was a certain small amount set aside for small business. They do not take much in the aggregate and it was felt it would be wise not to subject them to the more strict governmental controls. That is a comparatively small amount and it has been proved by past experience that this system works very well.

Now, then, we sat down with the military people and we went through a list of all of the projects on which they gave a "must" rating, from the standpoint of making weapons and making other munitions of war and which they said had to be done during the last quarter; that is, the steel had to be delivered.

The tightness of the situation on structural steel was such that we were not even able to give steel to all of those projects, so we had to cut off——

The CHAIRMAN. If you will excuse my interrupting, was steel asked for and allocated to the Chemical Division?

Mr. FLEISCHMANN. I am coming to that; I am telling you the order in which we allocated steel.

The CHAIRMAN. All right; proceed, Mr. Fleischmann.

Mr. FLEISCHMANN. Now, secondly, we took the most important expansion programs from the standpoint of those projects which we felt and Mr. Wilson felt ought to be on schedule so we could get over this shortage period—aluminum, nickel, and steel, basically those are the tough ones, as you know—you cannot do much about copper, but in those other areas you can.

We gave one aluminum program what it needed—100 percent—on only one of them, they got it; and there was only one large nickel project.

When it came to expanding the steel industry which, if we had been able to do, it would have cured our troubles; we could give them only 54 percent of what they needed, so, of course, the steel expansion program is somewhat behind schedule.

Well, now, we had at the same time to give some structural steel to operations like the expansion of both public and private power, because without that you cannot run away plants—the REA and all the rest of them, so we made some small allotments for them.

We also gave small allotments, a very small allotment, for highways, schools, and hospitals. The reasons for that are obvious to anyone but I will simply say this, that you cannot start upon a vast new project, like the Savannah River project down in South Carolina, which is in a new community and not provide some community facilities, so we had to use this very small supply to make available steel for schools and hospitals and highways. Highways are often just as important, as you well know, as the project itself because if you can-

not get in, you cannot produce the project. Those were all very small allotments, but we made them.

After that we went over all of the other industrial projects and we tried to make a sensible and fair allocation, based on the importance of the projects.

When it came to the Chemical Division and many other very important industrial divisions there was about 30 per cent of the demand that we could handle, which I think your figures will well indicate.

The only point I am not prepared on is what you just asked me. You want to know why if the fact is correct, out of that handful of cases handled by the Chemical Division there were not any nitrogen cases. I will have to supply that.

The CHAIRMAN. Well, I presume that when the Chemical Division made its application to you that they included a certain amount of steel for these nitrogen plants which came under its jurisdiction.

Mr. FLEISCHMANN. No, I think what happened is this—I would rather give you an accurate answer, but I think it happened this way.

You see, I do not give every individual allocation. There are hundreds and thousands of them.

The CHAIRMAN. I understand that.

Mr. FLEISCHMANN. But I think what happened, generally speaking, is this, that they had enough steel in the Chemical Division only for certain projects which are directly and immediately connected to the military program.

Mr. Klipstein will be here tomorrow. He made, with others, those allocations and he knows exactly on what basis they were made.

The CHAIRMAN. Well, I understand the only steel that these nitrogen plants received was from an allocation that was made to the Agriculture Department. How that was done I do not know, but that is my information.

I am very hopeful that when the next round comes, that provision will be made, if possible, to allocate sufficient steel to continue the building of these plants now under way. I understand that some of them have nearly been—well, the foundations were down and all that was needed was a certain amount of steel to complete them and put them into production within 12 or 14 months. Because of the fact that nitrogen is so necessary I felt that maybe we could discuss the point.

Mr. FLEISCHMANN. I will take a look at it.

The CHAIRMAN. All right; thank you.

Mr. FLEISCHMANN. I have learned, as I think you know from past experience—I do not like to make commitments unless I know all of the facts and I do not know all of the facts with respect to nitrogen operations.

But, as I tried to say in my original presentation, this is a temporary condition we had. I would assume that if we got it in the first quarter—well, I am positive we will get it in the second quarter, but I will have to call Mr. Klipstein and have him get the full figures here for you.

(The information referred to above is as follows:)

Case action analysis, 4th quarter 1951

Case No.	Applicant	Carbon steel						Alloy steel		Stainless steel	
		Plate		Structural		Other					
		Requested (tons)	Issued (tons)	Requested (tons)	Issued (tons)	Requested (tons)	Issued (tons)	Requested (tons)	Issued (tons)	Requested (pounds)	Issued (pounds)
J-5492	Woodward Iron Co.					48	48				
J-5033	do	15	15	15	15	10	10				
J-5191	do			25		25					
J-1470	Spencer Chemical Co.					590	590				
J-1944	Diamond Alkali Co.	5	5					1	1	1,050	1,050
J-1945	do										
J-2084	do										
J-2205	do			30	30						
J-3723	do	64		48		7					
J-5213	do										
J-2488	do										
J-2297	Food Machinery & Chemical Corp.			7	7	2	2				
J-2299	do	2		80		38					
J-2590	do					120					
J-2298	do	13									
J-3975	do	4				37					
J-3974	do			10							
J-3486	do	5				2					
J-787	Shell Chemical Corp.	700		20	20	127	827				
J-804	Phillips Chemical Co.	28		28		65				2,680	
J-4628	do										
J-9283	Lion Oil Co.			128		373					
J-376	Dow Chemical Co.	45	45	14	1	50	50	1	1	1,400	1,400
J-487	do			15	15	65	65				
J-1478	do	1		1		2					
J-1480	do										
J-1487	do	25		78		594		20		30,000	
J-1490	do	5		60		215					
J-1491	do	2	2	35	35	60	60				
J-1493	do			10	20	32	32				
J-1545	do			94	94	40	40	1	1	300	300
J-1565	do	98		14		186		1		2,200	
J-1566	do	5		1		104					
J-1847	do	65		47		212		1		100	
J-1481	do	1		5		17					
J-1848	do	156	156	185	185	758	758	3	3	100	100
J-1849	do										
J-1859	do	31		33		15				200	
J-1860	do	360	360	340	340	276	276			6,200	6,200

J–2311	Commercial Solvents Corp	200		1,160		570						
J–133	Solvay Process Division, Allied Chemical & Dye Corp	400		450	450	185	585					
J–133A	do											
J–360A	do											
J–360	do											
J–154	Wyandotte Chemical Corp	60		113		135						
J–288	do	8		4		185	180					
J–343	do	15	15	26	26	22	22		300		300	
J–397	do					9						
J–1827	do	5		9		1						
J–2060	do	3		4		288						
J–2237	do	30				126						
J–2238	do					25	25					
J–2279	do					20						
J–2280	do	6		1		5						
J–2281	do	4		1		256	256					
J–2289	do	147	147	346	346	35						
J–2290	do											

Case action analysis, 4th quarter 1951—Continued

Case No.	Applicant	Copper and copper base alloys						Aluminum		Remarks
		Brass mill		Wire mill		Foundry				
		Requested (pounds)	Issued (pounds)	Requested (pounds)	Issued (pounds)	Requested (pounds)	Issued (pounds)	Requested (pounds)	Issued (pounds)	
J-5492	Woodward Iron Co									100 percent of request issued.
J-5033	do			3,000	2,345					Steel request granted; slight reduction in copper because of supply situation.
J-5191	do									Denied—for replacement of fabricating plant. Not started July 31, 1951. Low priority project in terms of essentiality.
J-1470	Spencer Chemical Co			10,500	10,500					100 percent of request issued.
J-1944	Diamond Alkali Co									Do.
J-1945	do									Denied—not started July 16, 1951.
J-2084	do									Denied—third quarter request; allotments of controlled materials were made only for fourth quarter requests.
J-2205	do			16,000	16,000					100 percent of request issued.
J-3723	do	100		300						Case pending.
J-5213	do									Denied—third quarter request; allotments of controlled materials were made only for fourth quarter requests.
J-2488	do			8,000						Denied—relation to defense not indicated.
J-2297	Food Machinery & Chemical Corp.									100 percent of request issued.
J-2299	do			5,000				1,000		Denied—low priority construction project in terms of essentiality.
J-2590	do									Permit and rating only.[1]
J-2298	do									Small requirements, materials may be secured by self-authorization.
J-3975	do	75,000		3,000						Permit and rating only.[1]
J-3974	do									Small requirements, materials may be secured by self-authorization.
J-3486	do			100						Do.
J-787	Shell Chemical Corp									100 percent of request issued.
J-804	Phillips Chemical Co	100		3,733				100		Denied—not started June 29, 1951. Low priority construction project in terms of essentiality.
J-4698	do									Denied—low priority construction projects in terms of essentiality.

See footnotes at end of table.

				2,650				41,900		Denied—not started Aug. 28, 1951. Low priority construction project in terms of essentiality.

J-9283	Lion Oil Co.			2,650				41,000		Denied—not started Aug. 28, 1951. Low priority construction project in terms of essentiality.
J-376	Dow Chemical Co.	48,400	43,560	3,000	2,400	100	110	100	100	Major requests issued; some slight reductions because of supply situation.
J-487	do									100 percent of request issued.
J-1478	do	100		100						Denied—not started July 17, 1951. Low priority project in terms of essentiality.
J-1480	do									Permit and rating only.[1]
J-1487	do									Denied—not started July 18, 1951. Low priority project in terms of essentiality.
J-1490	do	200		100						Denied—not started July 18, 1951. Low priority project in terms of essentiality.
J-1491	do									100 percent of request issued.
J-1493	do	1,000	900	10,000	8,000					100 percent of steel issued; slight reduction in copper because of supply situation.
J-1545	do	543,200	488,880	9,800	7,840	100	100	100	100	Do.
J-1565	do	43,800		6,400		100		100		Permit and rating only.[1]
J-1566	do	300		3,100						Do.[1]
J-1847	do	2,000		37,800		100		100		Do.[1]
J-1481	do	100		500						Do.[1]
J-1848	do	4,500	4,050	800	640	100	100			100 percent of steel granted. Slight reduction in copper because of supply situation.
J-1849	do									Claimant informally withdrew request. Small requirements, materials may be secured by self-authorization.
J-1859	do	100		200						Permit and rating only.[1]
J-1860	do	147,800	133,020	22,600	18,080	100	100	100	100	100 percent of steel issued. Slight reduction in copper because of supply situation.
J-2511	Commercial Solvents Corp									Permit and rating only.[1]
J-133	Solvay Process Division Allied Chemical & Dye Corp.			15,000	15,000					100 percent of request issued.
J-133A	do									Duplicate of J-133 excepting no controlled materials requested. Permit and rating issued.
J-360A	do									Duplicate of J-360 excepting no controlled materials requested. Permit and rating issued Sept. 20, 1951.[1]
J-360	do									Permit and rating issued Sept. 18, 1951.[1]
J-154	Wyandotte Chemical Corp.	24,300		20,445						Denied—construction 1 percent June 26, 1951. Low-priority project in terms of essentiality.
J-288	do			1,615						[2].
J-343	do	20,000	18,000	16,000	12,800					Steel granted in full. Brass mill issued 90 percent of request; wire mill 80 percent of request.
J-307	do									Claimant informally withdrew request.
J-1827	do			300						Denied—not started July 19, 1951. Low priority project in terms of essentiality.
J-2090	do			633						Small requirements, materials may be obtained by self-authorization.
J-2237	do	28,000								Permit and rating issued Sept. 11, 1951.[1]
J-2238	do									Permit and rating issued Sept. 11, 1951.[1] Not started July 19, 1951.
J-2279	do	300	300	15	15	300	300			100 percent of request issued.

Case action analysis, 4th quarter 1951—Continued

Case No.	Applicant	Copper and copper base alloys						Aluminum		Remarks
		Brass mill		Wire mill		Foundry				
		Requested (pounds)	Issued (pounds)	Requested (pounds)	Issued (pounds)	Requested (pounds)	Issued (pounds)	Requested (pounds)	Issued (pounds)	
J-2280	Wyandotte Chemical Corp..	160	.....	100	.....	.....	.....	.....	.....	Denied Sept. 7, 1951. Not started July 19, 1951. Low pirority in terms of essentiality.
J-2281	....do.....	.....	.....	200	.....	.....	.....	.....	.....	Small requirements, materials may be secured by self-authorization.
J-2289	....do.....	48,600	43,740	58,890	47,112	.....	.....	.....	.....	Steel granted in full. Brass mill 90 percent issued; wire mill 80 percent issued.
J-2290	....do.....	.....	.....	900	.....	.....	.....	.....	.....	Denied Sept. 8, 1951. Not started July 19, 1951. Low priority in terms of essentiality.

[1] Permit and rating—no allotment of controlled materials is made. Any construction started pursuant to the authority granted is at the applicant's risk. Such authority is not to be construed to indicate that an allotment of controlled material will be issued at a later date, but does provide holder with a priority to secure other than controlled materials.
[2] Other carbon steel included pipe and was given in fourth quarter so it could be laid before freezing weather. Balance deferred until first quarter 1952.

Source: Facilities Bureau, National Production Administration.
Prepared by Office of Program Requirements, Defense Production Administration, Oct 5, 1951.

The CHAIRMAN. And now, Mr. Fleischmann, I have a question I would like to ask you about which may not be related to farm machinery, but it came up before the committee yesterday when Mr. Tawney testified. He is legal counsel for the Grain and Feed Dealers National Association.

He indicated to the committee that a classification has been put on what are commercial buildings and what are industrial buildings, and he informs me that elevators have been placed in the class of commercial buildings, which denies them certain priorities which they should have in order to be able to build elevators to store wheat and to store other crops. Could you throw any light on that?

Mr. FLEISCHMANN. Somebody called my attention to that. I think that was a mistake, and I am going to correct it.

You understand the result of that, sir. There are certain minor projects which are permitted without appulication of the Government, if they come under our classification of industrial—now, we tried, you see, to classify and in classifying, as with everything else, it had to be done in a great hurry.

The CHAIRMAN. I understand.

Mr. FLEISCHMANN. Now, somebody asked me about that. Of course, I did not do this personally but I think that they made a mistake, and I can get it corrected.

The CHAIRMAN. Well, for instance, under the industrial plants, some of the examples were generating plants, railroad sidings, loading platforms, storage warehouses, and repair shops, and yet elevators that are used to store grain—they should not be commercial.

Mr. FLEISCHMANN. I think they are clearly industrial.

The CHAIRMAN. Well, I hope you can make that correction, Mr. Fleischmann, as soon as you can.

Mr. FLEISCHMANN. I will do it right away.

The CHAIRMAN. All right. Senator Hickenlooper.

Senator THYE. Excuse me, Mr. Chairman. If that is done, that is going to relieve my State and the Western States of a considerable amount of departmental contact because we had much communication on that question.

Mr. FLEISCHMANN. As I say, I think it was a mistake, Senator Thye, and we should correct it.

I should say this, those people who communicate should see how tight this industrial steel situation is. Now, I do not want to give it to them with one hand and take it away with the other. We may be faced with the necessity of tightening up this whole area of small construction projects. But I think your complaint is just, and that there has been discrimination.

Senator THYE. That is right.

The CHAIRMAN. All right, Senator Hickenlooper, before you begin, when Mr. Tawney testified for the association I suggested that he write a letter to the committee stating his understanding of that ruling and the class of buildings it would affect. At this point, I will ask that his letter be placed in the record.

(The letter referred to is as follows:)

THE GRAIN AND FEED DEALERS NATIONAL ASSOCIATION,
Washington D. C., September 27, 1951.

HON. ALLEN J. ELLENDER,
Chairman, Committee on Agriculture and Forestry,
United States Senate, Washington, D. C.

MY DEAR MR. CHAIRMAN: At yesterday's hearings, before your committee, you requested me to furnish a list of the types of buildings that would be classified as "commercial" and as "industrial" under the recent interpretation of these terms by the National Production Authority. That interpretation attempts to clarify the application of NPA's building construction regulations under the Controlled Materials Plan (NPA Order M–4A and CMP Regulation 6, including amendments, directions, and supplements, thereto.)

I am pleased to comply with your request to the best of my ability. It is necessary to observe, however that the interpretation itself, issued September 5, is so ambiguous that a completely accurate listing of building structures or facilities in the categories of commercial and industrial is extremely difficult to make.

As I read the interpretation, the following types of structures or facilities would be classified as industrial but only providing they are integrated with production, manufacturing, assembly or processing of articles or commodities, or with mining or extractive operations: Generating plans, railroad sidings, loading platforms, storage warehouses, and repair shops.

Presumably, in addition, the following types of similarly integrated buildings or facilities would also be classified as industrial: Canning factory or part thereof, dairy plant or part thereof, docks, piers or so-called marine legs, foundries, oil derricks, oil pumps or pump installations, open-hearth furnaces, rolling mills, steel-fabricating plant or machinery used therefor, sawmills, planing mills, box factories, wire, rod, sheet, and tin mills, grain-storage tanks or facilities connected with flour or feed mills, water systems.

In the nonindustrial or commercial building classification, the interpretation specifically names "grain elevators, or grain and food warehouses." In the same commercial classification the following types of structures or facilities are specifically named: Wholesale or retail stores, administration buildings, garages, service stations, gasoline filling stations, buildings or facilities for furnishing services to producers or consumers (type of producers or consumers is not clearly indicated), radio television or broadcasting buildings, tobacco auction warehouses, printing and publishing buildings, buildings for forestry or lumber operations (but not sawmills and lumber-processing operations), buildings and facilities for fishing, agricultural or dairy operations, (but not if used for processing, packaging and bottling of fish, food, and dairy products), all transportation buildings and facilities including switch tracks or spurs, terminals or bridges, all transportation terminal buildings, piers and wharves, water and sewerage systems, and public utility systems.

Under this regulation a grain elevator, or grain-storage facility is a commercial type of structure, yet if it is connected with a flour or feed mill it becomes industrial. Similarly, by way of showing further the complete ambiguity of the interpretation, a railroad siding becomes industrial if integrated with an industrial plant, but a railroad spur is not. Further, the interpretation defines an industrial plant as "a building, structure or project designed or intended for use in the production, manufacture, assembly or processing of products or articles, including mining and extractive operations."

Since a grain elevator and many types of grain and food storage warehouses are projects, buildings or structures designed for use in the assembly or processing of products or articles, the question naturally arises, why are they not then industrial plants? If the interpretation had not specifically eliminated them from the industrial class, the answer would clearly be that they are industrial plants.

Since, under this interpretation, construction authorizations and materials allotments will be sharply restricted in the case of mere commercial buildings or facilities, and in view of the fact that grain elevators and many types of grain warehouses are in fact industrial plants, we believe this interpretation if used as a guide in determining such authorizations and allotments, will prove utterly unworkable and will only muddy up the waters. It will mean, among other things, the complete, or virtually complete stoppage of necessary expansion in the grain, feed, and food storage and processing facilities of the country.

Yours very truly,

JAMES A. TAWNEY, *Legal Counsel.*

Senator THYE. Mr. Chairman, I was unable to attend the hearings yesterday because I was excused from the Senate and out of the District, but I shall read the record and familiarize myself with what took place yesterday.

Mr. FLEISCHMAN. I think that we can correct that mistake. There was a great list of hundreds of categories and naturally, the first time, some of them got out of place.

The CHAIRMAN. All right. Senator Hickenlooper, you were questioning Mr. Fleischmann when he left. If you want to continue, you may proceed.

Senator HICKENLOOPER. Thank you, Mr. Chairman.

Now, it can be possible, of course, that we folks out in the Middle West are not full grown and have to be taken care of, or it might be that we are overemphasizing our problems. I do not know, but I do not think we are, although I admit that we may be looking at our own problems with undue emphasis.

I have looked up your testimony before the Subcommittee on Fertilizer and Farm Machinery of the House Agriculture Committee of this session, the testimony of March 20 and 21 of this year.

I find nothing in that testimony except complete agreement with the position out in the farm area. I will read some excerpts to you. Mr. Abernethy had asked you some questions. This is at page 178 of these hearings, and I will read some examples.

Mr. ABERNETHY. But in the end you do have to reach the conclusion that this particular industry or producer of materials is more important to the economy of the country at this hour than some other.

Mr. FLEISCHMANN. Let me say this, sir. I agree with you in large part. We have to say, for example, that the production of farm machinery is more important, let us say, than the production of automobiles or ash trays or a variety of other things. That has to be said.

Mr. ABERNETHY. I am glad you mentioned that, because the information I had yesterday showed definitely that the automobile production through January, February, and the first week in March was considerably higher than it was in January and February and March of last year.

Mr. FLEISCHMANN. As you perhaps know, we put limitations on automobiles for the precise reason that you mention, whereas no limitations have been put on farm machinery, that is, as you can see, a judgment of essentiality right there and we are making those.

Mr. FLEISCHMANN. I think everything I said there is correct.

Senator HICKENLOOPER. Well, I am only trying to lay this record, I am not trying to ask you if you would dispute anything you said at that time.

Mr. FLEISCHMANN. No.

Senator HICKENLOOPER. Now, on page 185 of the testimony, we have this question by the chairman:

Suppose you were to fix your categories and put out the defense needs, rolling stock for railroads, ship lines, and the petroleum industry and agriculture, and you know that all of those industries are essential, not only to the civilian needs, but they are essential to the military needs, it seems to me that with the power of your office you could protect all of the essential needs of all of these vital industries.

Mr. FLEISCHMANN. Yes, sir.

The CHAIRMAN. And then let the residuary go to nonessential civilian needs, as far as it will go.

Mr. FLEISCHMANN. That is precisely what we are going to do.

Then, dropping down that same page a few paragraphs:

The CHAIRMAN. You, certainly, have the authority to take care of the essential industries, do you not?

Mr. FLEISCHMANN. As to the amount of steel that is to be made available to the farm-equipment manufacturers, General Harrison will have to determine that. He certainly takes into account, just as I do, exactly the things that you say. We do not intend that automobiles should be made at the expense of farm machinery. Obviously, that is not intended.

The CHAIRMAN. I do not know of any farm-machinery manufacturer who is actually manufacturing a nonessential machine.

Mr. FLEISCHMANN. I do not, either.

The CHAIRMAN. All of them are essential.

Mr. FLEISCHMANN. Sure.

The reason I read that, Mr. Fleischmann, is that from your own testimony this spring it appears that you were of the opinion, as are a great many of us, that the production of food and the care of food and the distribution of food is of top importance and top priority along with two or three other fields, in this particular time we find ourselves.

The thing I cannot understand is why if the production of farm machinery is essential—and in addition to your own statement we have the statement of the Department of Agriculture based upon a grass roots survey right down into the counties themselves, some 3,000 of them, and they came up with figures that are hard to dispute, to the effect that we do need 115 percent, at least, on the average more farm machinery for next year than we produced in 1949 if we are to meet the reasonable requirements of this period of time.

We find farm machinery receiving a diminishing allocation, in spite of the fact that at least in March the testimony was clear that you had the authority to allocate it, that it should be done and that these essenial industries could be taken care of within the limitations of the supply field and testimony indicated it could be done.

Now, have conditions since that time become so changed that it is no longer so and that you have had to reduce the amount of steel for farm equipment?

Mr. FLEISCHMANN. There was cause to reduce it; yes. I do not think, however, that there is anything that I testified to then that I would not testify to again today.

I will start from the beginning, if you like, and give you how it is done and why it was done this way.

The problem of essentiality, as you can imagine, is a very difficult and complicated one and one which would require more wisdom than I claim to do it adequately, but unfortunately I do have the job of making some judgment on it, so I have to do as best as I can.

The program that has been set up by Mr. Wilson and by the President and, I think, with the general support of the country, has these four basic features to it.

In the first place, a military program, of small size compared to an all-out war but with a very intense impact with respect to certain commodities. That is No. 1.

No. 2 is a supporting industrial program, in which I place farm machinery as being of very great importance, and such things as machine tools which, as you well know, are at the bottom of that, since you have to have machine tools. Such things also as the support of the electric utility industry, both public and private, without which neither farmer nor industrialist can do anything. Also, such things as the petroleum program, which, as you know, is threatened by the Iranian situation, and a variety of others which I will not detail now.

The third factor, as I mentioned this morning, is the expansion of the basic facilities, the steel, aluminum, and so forth.

The fourth feature is the effect on civilian production, and that includes automobiles and refrigerators and the like.

Now let me tell you how the program in the principles decided by Mr. Wilson—and with which I am in full accord and under which we operate. First, we have told ourselves that this is probably going to be a comparatively long effort. Nobody knows how long, although all of us would like to know, whether it will be for 1 year or 2 or 5—nobody knows.

We have been under the greatest possible pressure not only from committees of Congress but many other sources to forget about civilian production. They say that the production of automobiles at a time like this is not important and that we should entirely abandon the civilian production. Up to the present time we have not thought and I do not think today that that ought to be done.

Senator HICKENLOOPER. If I may interrupt.

Mr. FLEISCHMANN. Surely.

Senator HICKENLOOPER. I want to say that the automobile business has been tossed around in these hearings a great deal. As far as my personal attitude is concerned, it is only illustrative.

Mr. FLEISCHMANN. Sure.

Senator HICKENLOOPER. And I do not think that we should fail to pay attention to the other great industries as well as the great automobile industry. However, I do not want to see them wiped out.

Mr. FLEISCHMANN. Well, let me use refrigerators or elevators——

Senator HICKELOOPER. Or anything else.

Mr. FLEISCHMANN. That is right. Now, we have felt, rightly or wrongly, and I think it is rightly, that you should not put a death sentence on those great industries, first because the economy in some sense depends on automobiles and it would reduce employment, and that is important, by hundreds of thousands of people, if you suddenly shut down that great industry, and these other great industries.

What we have thought is this, where the question of essentiality comes in: We have thought it would be possible, despite these great stresses and strains under which the program is operating, to set a minimum level of production of automobiles and refrigerators and all the rest of them, and that minimum level comes some place near where a manufacturer can make a break-even and exist. If he cannot make a break-even, as you know, he cannot continue and he is out of business.

That level in all cases with civilian producers is a very much lower level compared to the base period against which we operate than industrial machinery or farm machinery.

Our recognition of essentiality comes with respect to the fact that we have cut and intend to cut in the future—we have not done it yet, but we intend to cut civilian production far more drastically than we will ever cut industrial machinery, including farm machinery.

We recognize essentiality through the device of quantitative allotments. Now, the sober fact of the matter is this, that if you entirely eliminated all civilian production tomorrow you would still have a demand for what we would all agree would be essential programs far exceeding the supply—and that just cannot be taken care of, because 2 and 2 makes 4.

Senator HICKENLOOPER. I do not want to try to cut you off in your statement, but I wish you would discuss that a minute.

Mr. FLEISCHMANN. Sure.

Senator HICKENLOOPER. Because I am sure we are mystified by the availability of steel. Do you have in mind how much increased tonnage capacity has resulted since the close of the war, in ingots?

Mr. FLEISCHMANN. I can give you some rough figures on the subject.

The peak production of the steel industry during World War II was, I think, 86 million ingot tons per year. At about the time of Korea that had gone up to something like a little under 100 million tons a year, and we now have it up to 108 million, and by the early part of next year we will have it up to 112 million and the year thereafter we will have it up to 120 million.

Senator HICKENLOOPER. Yes. Now, it runs through my mind that prior to Korea, let us say 6 months or a year, we did not have the complaints about the shortage of steel, or at least I did not have the number of people complaining.

We use a lot of steel in small businesses in my State, of which there are a great number, and whenever steel gets short for the small manufacturers, I hear about it right away and I am sure every other representative of the States hears about it down here equally soon.

As I say, we were not having any people coming down here scrambling around and looking for steel, trying to get steel, and every inquiry I made showed, "Well, we could get just about all the reasonable amount of steel that we could use."

But now we are in this situation where the demands for steel—well, we get these confusing figures, that the Army needs only so much steel for its program and then suddenly we find that the demand for steel for them now is 180 percent of the supply of steel. Well, is it possible that in a year or a year and a half we have suddenly doubled our demands for steel in this country?

Mr. FLEISCHMANN. There is not any doubt about it.

Senator HICKENLOOPER. Or is the Army hoarding a great block of steel against the day when they might need it?

Mr. FLEISCHMANN. I do not believe so, no, because the kind of figures, Senator, that I have been giving you are not the Army's take of steel. They represent the actual demand against which we are trying as best as we can to hand out allocations or tickets for steel.

What has happened is this. In the first place, we are trying to do in a tremendous hurry this job of expanding a basic industry, like the steel and aluminum and that in itself takes a lot, it puts a tremendous demand on steel.

Secondly, we are trying to maintain the essential industries at something comparable to their pre-Korean rates, where we can.

Now, in addition to that, if you take something like machine tools which, if this mobilization program makes any sense at all, are almost the key to the whole thing—you cannot have the aircraft industry at all unless you have machine tools increased 400 percent.

Well, now, that is what we are trying to do with machine tools. You just have got to have it, unless——

Senator HICKENLOOPER. I will get to that in the next question. If we get into the $90 billion military budget, and I hope that we do not have to, but if we do, in another year or so you will not have anything for steel.

Mr. FLEISCHMANN. Well, there is this factor, there is the new steel that is coming next year, but that will not handle that situation.

With regard to the increased military budget if Congress decides to vote it, I might say that that is not quite as alarming as it might be, for this reason: That it consists largely of aircraft. On aluminum, for example, which is the principle bottleneck material in aircraft, the demand would not hit next year, it would hit a year or 2 years from now, at which time we are going to have a lot more aluminum coming in, so that is just an increase of the military budget, if there is any and if it is centralized in aircraft—and this is only mildly optimistic—would not make this situation a great deal worse, in my opinion.

If we got into a shooting war you would have a very different situation and you would, in my opinion, immediately or just about immediately have to shut down all civilian production, just as we did last time.

I hope that we will not make the mistake that was made the last time of practically shutting down industries like farm machinery. That is what we did the last time and it was a tremendous mistake in my judgment, but it was rectified.

You would shut down immediately civilian industry but the reason you would do that in my opinion would be because you could immediately step up the military program in different phases. You would be building tanks which would take up that steel. It is not the aircraft program that would do it.

Senator HICKENLOOPER. That is true. We may look forward to an increased demand in a military way and in other ways in the future but, by the same token, if we had a plan in operation, then if that plan is logical and if it is a-year-in-advance program, then we should not find, all of a sudden, after having been told we had so much steel, find that it was just the reverse.

That has an effect upon the agricultural areas. If I may use an illustration, in my State there is a substantial number of farms that are idle this year. Well, now, that is not entirely due to the lack of machinery, and I do not mean to say that, but it is due to the inability of—well, these farms, I do not know how many there are, they may be very few, but I know there are some—as I say, it is due to the inability of some of these farmers that I know to get adequate machinery to supplement the lost manpower they suffered when their boys go into the Army and when other boys get into the Army and they cannot get fellows to work on these farms, and there is not enough farm machinery of various types that they can use to replace that lost labor.

The machinery in those cases is only a part of the factors that are involved, that is very true, but nevertheless farming for the next year's operation will be influenced a great deal by whether the farmers think that they can get the proper machinery next year and if they cannot get it, then many of them will be saying, "We will not have the labor and if we cannot get the machinery, then we cannot and do not intend to farm."

Mr. FLEISCHMANN. Senator, that is the first time I have heard of a case where it has been impossible to get farm machinery when needed, and I think we can be of assistance in trying to correct those situations.

Senator HICKENLOOPER. Well, I have in mind one 400-acre farm which lies about 40 miles west of my home town, and that is idle, as is a number of others that I know of that are actually idle.

In the case of this one 400-acre farm the man says that he simply cannot get adequate machinery to replace the lost manpower suffered as the result of going into the Army and he is having an immediate difficulty. So, his farm is idle and two or three others are idle. This machinery is not the controlling reason for its being idle, necessarily, but it is a matter of planning.

Furthermore, the question of repairs is a very vital part of farming with machinery. Senator Thye told me this afternoon that one of his machines on his place which he has in Minnesota, he cannot get it repaired, and maybe that machine is still idle, I do not know, but I believe the repairs still are not available—well, he would have to tell you that story.

Mr. FLEISCHMANN. Yes, sir. And if I may add, I think the farm machinery industry has not lived up to its responsibility in that connection, and I have told them so.

Senator HICKENLOOPER. In what way?

Mr. FLEISCHMANN. Well, we told them that in our judgment—I told them last spring, several of them. At that time they were putting all the steel and copper and aluminum that they were getting, and it was not under Government control then, into building new machinery and they were not making adequate provision for repair parts because they would prefer to build the completed units. I urged them to do that, and some of them did and some of them did not. As the result, there is an adequate supply of spare parts for some machines and, as you well know, there is frankly an inadequate supply for some others, you cannot get them.

In other words, they have got to use some judgment in dividing the steel between new machinery and spare parts, generally speaking. We give them larger allotments for spare parts, as you know.

Senator HICKENLOOPER. Then we have the testimony that was in the record yesterday, and some of it at least bears out the complaints that I have received in the last few months, anyway, about the small manufacturer, the fellow that makes farm gadets, barn hinges and hay forks and all kinds of things——

Mr. FLEISCHMANN. The so-called barnyard producers?

The CHAIRMAN. That is it.

Senator HICKENLOOPER. Yes. They produce not the machines for raising crops, but the hardware——

Mr. FLEISCHMANN. Yes, I understand, Senator. Used around the barn, for instance.

Senator HICKENLOOPER. Yes, around the barn, and tools and equipment and things of that sort.

Their complaint has been to me, and the testimony bore it out yesterday, that while they get an allotment of steel, they are only able to get sometimes 40 to 60 percent of that allotment, so that while they could go around with the hunting license which is issued to them by the Government to look for the stuff and find what there is, the net result is that when they hold the tin cup under the spigot, in so many cases they are just unable to get the amount of steel that is allocated to them, with the result—or so I find from talking with these people—that they feel they will have to go out of business.

Now, maybe they are more apprehensive than they should be, but so many of them are saying, "If this condition continues and if we cannot get even the amount of steel that the allocation entitles us to, we will just have to close our doors. The banker cannot carry us any more and we cannot meet the payroll, and we will have to close our doors." And they say, "We have got to do a minimum amount of business to keep the doors open and to keep going."

That is extremely important because these companies are usually located around various convenient places in the States—convenient, I mean, to dealers and farmers—they can get at them and they can get speedy service out of them.

Mr. FLEISCHMANN. Well, Senator, I have had in the past months, or it might be 6 weeks, a telegram from the very group of which you are speaking, the so-called barnyard producers, a gentleman by the name of Keepers, who was the head of that company.

The CHAIRMAN. He testified yesterday.

Mr. FLEISCHMANN. I do not know what his testimony was, but I have a telegram from him saying that this entire group unanimously—well, maybe I am overstating "unanimously"—endorses the controlled materials plan and the present administration, and they think that it is a great success and nothing should be allowed to interfere with it. I have had that telegram come to me and I would be very glad to put it in the record, if you like.

The CHAIRMAN. If I recall Mr. Keepers' testimony correctly, he was not too critical of the program.

Mr. FLEISCHMANN. Well, he was very—he praised it. I remember such a telegram because I get so few, it stands out in my memory. [Laughter.]

(The telegram referred to above is as follows.)

JUNE 26, 1951.

MANLY FLEISCHMANN,
Administrator, National Production Authority,
Washington, D. C.:

Delighted to receive confirmation of your appointment as Administrator of Defense Production Administration. It makes good sense to concentrate direction of material allocations and production controls in one individual. The national farm groups and every segment of agricultural machinery industry consider your selection for this important post extremely fortunate because you have established reputation for courage and fairness in dealing with the problems created by the mobilization program, without prejudice or favor to any group or interest and have demonstrated capacity for handling any administrative responsibility, no matter how heavy the burden or complex the problems. I pledge you the full support and cooperation of our own small segment of agricultural machinery industry—and wish you every success in your new position.

LOWELL H. SWENSON,
President, National Barnyard Equipment Council.

Senator HICKENLOOPER. Well, of course, I do not know what his telegram contained or what his opinion is. The only reflected ideas that I get are from honorable and reliable and honest dealers, most of whom in my State I happen to know personally, and when they give me a figure and give me their tonnage and give me their alloaction and say that it takes so many people to run their factory, I believe it is correct.

Mr. FLEISCHMANN. I do, too, sir.

Senator HICKENLOOPER. I know that about them, and they are in trouble or they say they are. Now, perhaps this very third-quarter

upset that you are talking about, maybe it is necessary that the third quarter be put behind us now—I mean, I am not saying that you should wave a magic wand on this thing, but what I am trying to point up is the real difficulty here, and I think that we should try to stimulate or help in any way that we can in the solution in the public interest and with the fullest realization of the equal importance of the farm machinery industry—and if we seem to overemphasize it, I hope that we are excused for it, but I do not think we do. If it is overemphasized, you can excuse it as surplusage.

Mr. FLEISCHMANN. I do not feel that it is. I do feel that this is a national problem, we all have to grapple with it. Now, I know very well that the system is not working perfectly or anywhere near perfectly today. The one asset I have in this business is the experience I had in it last time, and based on that experience, I do feel it will be working well in the fourth quarter, and I feel it so sincerely that we have taken the steps so that they will cash their tickets, so they can come to us and we will see that they are cashed, we will undertake the administrative burden, and it is a big one, of trying to find a home for these orders.

Now, I want to say this, that the amount of steel that these industries can get presents a problem that I say is basically insoluble, because in order to satisfy the perfectly legitimate and essential supplies—well, if you took the entire supply of steel out of automobiles and took it out of refrigerators and everything else, you would still have, in my opinion, something like 140 percent demand against the supply—and that would be limiting it to things like farm machinery, power, petroleum, and a few schools, hospitals, and highways.

Now, the fact of the matter is, sir, that in the first quarter, and even in the fourth quarter, we cut down the military. We did not give them what they wanted, either, and I think that is on a par with farm machinery.

Secondly, it is not there. I cannot invent it. It is not there, and everybody has to stand some part of this. I wish it could be otherwise but I would not be frank if I said that we are going to give every essential program what it needs, because it is not there.

The CHAIRMAN. In connection with that—Senator Hickenlooper—will you permit me?

Senator HICKENLOOPER. Yes, sir.

The CHAIRMAN. Here is a letter addressed to the Senate Small Business Investigating Committee, of which I got a copy, from the Nadler Foundry & Machine Co., Inc., of Plaquemine, La. in which they say:

> For the third quarter we received a CMP allocation of 129 tons of steel out of a required 300 tons. However, we could only get one order placed for mill delivery for 50 tons. The remainder we had to purchase from warehouses. The 50 tons we were able to place with the mill have not yet arrived. We did not get some of our warehouse deliveries until September 14. The third quarter has therefore passed before we could get our third quarter allotment.

Mr. FLEISCHMANN. Well, the third quarter allotment normally calls for delivery in the third quarter and I would say that indicates that the CMP system is working very well. Here is a man who apparently got his allotment; the warehouse system is part of the distribution system.

The CHAIRMAN. But we have found out that when they buy from warehouses the charges are something like 30 to 35 percent more.

Mr. FLEISCHMANN. Well, I would be glad to investigate that case and I would make a prediction, which I probably should not do, that that individual has previously bought some part of his requirements from warehouses.

The CHAIRMAN. I will put this whole letter in the record.

(The letter referred to is as follows:)

NADLER FOUNDRY & MACHINE CO., INC.,
Plaquemine, La., September 21, 1951.

SENATE SMALL BUSINESS INVESTIGATING COMMITTEE,
Washington, D. C.

(Attention: Senator Russell B. Long.)

GENTLEMEN: We would like to report a condition which seems universal among the small businesses in our area.

We had hoped that the Controlled Materials Plan would help us to plan our production and get materials we needed. We manufacture and repair sugar mill, agricultural machinery and parts as well as a general industrial manufacturer and repair service for this area. We think our industry is a *vital link as* we do a great deal of emergency work for sawmills and the Baton Rouge chemical and petroleum industries.

We qualified as a CPM unit by filing the necessary forms and data and in due time received our allotments from the NPA. Inasmuch as we had operated as a CMP unit under the War Production Board we were astounded when we attempted to secure proper placements and scheduling of our orders under the terms of governing regulations. For the third quarter we were not able to place mill orders with anyone except those companies who had previously served us.

For the third quarter we received a CMP allocation of 129 tons of steel out of a required 300 tons. However, we could only get one order placed for mill delivery for 50 tons. The remainder we had to purchase from warehouses. The 50 tons we were able to place with mill have not yet arrived. We did not get some of our warehouse deliveries until September 14. The third quarter has therefore passed before we could get our third quarter allotment.

In attempting to place advanced orders for fourth quarter we were informed that orders were not being accepted until a certain date because the steel companies did not know exactly what was to be expected of them, and therefore were hesitant to schedule until such time as they could intelligently promise delivery. We received our fourth-quarter allotment of 100 tons out of a required 300 tons on August 31. On attempting to place orders at this date we were informed that the entire fourth-quarter production had been scheduled and the books were closed. We have refusals in our file to substantiate that the fourth-quarter steel quotas are closed and the first quarter, 1952 books have not been opened.

We understand, however we have no proof, that the large manufacturers keep their representatives at the home office of various steel companies with blanket requirements that if and when any available tonnage is opened up they immediately place approved controlled materials orders for the available tonnage. This, due to the size and nature of our business, would be impossible because we could not afford to keep a representative in these various places to be there when tonnage was available.

We are indeed disappointed in the shortage of controlled materials, particularly in this area. All fabricators similar to ourselves and smaller fabricators are at the mercy of what we feel are unscrupulous brokers in the large midwestern and eastern cities who have seemingly inexhaustible stocks of steel and are selling same 5 to 6 cents a pound f. o. b. midwestern and eastern points higher than warehouse's prices, which in turn makes our cost 7 to 8 cents per pound more than legitimate warehouse sources in our area.

Under the present circumstances the warehouses are endeavoring to supply their previous customers. However, with the depletion of their stocks and the continual delays in the replenishing of their stocks, it is almost impossible for us to continue operating without penalizing our customers with premium-price steel.

It is necessary for us to absorb the additional cost on products which have a ceiling price. As most of our jobs do have a ceiling price it is based on buying over one-half of our steel from mill and the remainder from warehouses. It is impossible for us to operate or manufacture many items.

Yours very truly,

NADLER FOUNDRY & MACHINE CO., INC.
ROBERT A. NADLER, *Vice President.*

TENNESSEE COAL, IRON & RAILROAD CO.,
New Orleans, La., September 12, 1951.

NADLER FOUNDRY & MACHINE CO., INC.
Plaquemine, La.

GENTLEMEN: Under revised instructions from the NPA covered by direction 3 to order M–1, we are returning herewith your orders 6089 and 6090 bearing CMP allotment No. N–9 calling for delivery in December 1951 and January 1952.

If it develops later that we can accept these orders we shall be more than pleased to let you know, but in the meantime, we suggest that you endeavor to place the order with some other steel mill.

Order No. 6089 covers 20 tons 140 inch mill plate and order No. 6090 covers 20 tons also of the same. Our rated set-aside has been specified complete for the fourth quarter of 1951.

We sincerely regret the necessity for returning these orders.

Yours very truly,

_____ _____,
Manager of Sales.

REPUBLIC STEEL CORP.,
Birmingham, Ala., September 13, 1951.

NADLER FOUNDRY & MACHINE CO.,
Plaquemine, La.

GENTLEMEN: We are advised by our Mr. J. L. Harris, that you have phoned him regarding our accepting orders for plates for shipment during the fourth quarter of 1952 under your CMP A allotment N–9.

We are sorry to have to advise you that our schedules for the fourth quarter of 1951 on plates has been completely filled with CMP tonnage for quite some time, and we are therefore unable to accept any further tonnage for delivery in 1951.

Yours very truly,

REPUBLIC STEEL CORP.,
ROBERT J. WORKING,
District Sales Manager.
By S. F. LESLIE.

Senator HICKENLOOPER. I might say that we have warehouses in my State against which there have been no complaints whatsoever of any kind lodged against them. They have sold whatever steel they warehouse at some perfectly legitimate and normal brokerage mark-up.

It is the Johnny-come-lately-brokers, those who have never been in the steel business before and who suddenly appear in it to take advantage of an emergency situation, without having been in it before, and who set up these warehouses so that they can sell the steel at three or four or five times higher than the minimum price—the people who saw the sudden demand for steel and got into it on that account, they saw it was needed and they got whatever they could get paid for it.

Now, that does not mean all warehouses because there are a great many legitimate warehouses that do not operate in that manner.

The CHAIRMAN. Well, in justice to the Administrator, I believe he has invited the Senators to send in the names of these people and their complaints, and that an investigation will be made. Am I right?

Mr. FLEISCHMANN. I certainly have, in most unequivocable terms. I might point out, Senator——

The CHAIRMAN. In that connection, suppose you do find out an instance such as has been described by Senator Hickenlooper, do you have sufficient laws on the statute books to take care of these people, perhaps put them in jail if that is proper?

Mr. FLEISCHMANN. As far as the price violations are concerned, frankly, I do not know. That is not in my bailiwick. I believe we can.

Let me say this: We will see to it that anybody operating in the manner you describe does not get one ton of steel from me or from any of the great sources that we do control, they will never get it as far as I am concerned.

I might say one thing, too, that bears on this problem of new warehouses.

Congress in enacting the Defense Production Act provided we must make allowance for new businesses. It was not the intention of Congress that we should deny any man the right to go into any business.

That has caused us a great deal of trouble, as you can well imagine, because the warehouse business is now very profitable and everybody would like to go into it. Wherever you have a new town, like at Savannah River, everybody wants to go into the steel warehouse business, and the problem is created by the statute itself as to whether we have got to give steel to everybody, including what you call Johnny-come-latelies. That is a very difficult problem.

Senator HICKENLOOPER. I do not object nor did I mean to imply that I objected to anyone going into business, nor would I ever want to object to that. We have that privilege in these States, and that was not what I meant. There is no objection to anybody going into any legitimate business if he has the capital, but I am objecting to the gouging brokers and to their practices, their taking advantage of an emergency condition. That is what I am objecting to, and as far as I am concerned, you can have 1 million warehouses if there are people who want to start them and can operate them and have the capital.

Mr. FLEISCHMANN. I will agree with you, Senator.

Senator HICKENLOOPER. And that was not my question. It was the matter of ethics and of morals of the thing, in this time of emergency, that is what I am objecting to.

Mr. FLEISCHMANN. Is is very reprehensible and I would like to catch them.

The CHAIRMAN. I think it might be advisable for Mr. Fleischmann to keep a close eye on these junk dealers that have a lot of scrap iron to dispose of. I understand that they insist when they sell the scrap iron to a certain mill, that they get in return new finished steel.

Mr. FLEISCHMANN. Not only that, but many of them are holding on to it, thinking there might be a price adjustment by OPS.

The CHAIRMAN. Well, is there anything you can do to prevent that?

Mr. FLEISCHMANN. Well, we are trying to get a price structure that will help that flow.

The Government does have the authority to requisition and grab these piles of scrap when it can be located. That is a pretty drastic thing, and it goes against the grain of most Americans to see it done, but we may have to do it.

The CHAIRMAN. Well, do you find instances where junk dealers insist on getting some finished products before they dispose of scrap?

Mr. FLEISCHMANN. I have never heard of it. There may be some cases. I have never heard of it.

The CHAIRMAN. Well, I think you ought to keep an eye on it.

Senator HICKENLOOPER. This is not under your authority but I just want to observe gratuitously here that it seems inconceivable to me, where the price-fixing authority has no difficulty in fixing the price of automobiles, washing machines, and so forth, why they cannot fix the brokerage price of steel. That is inconsistent with reasonable, normal, average business practice as it has gone on in this country. It seems to me that is one of the simplest prices that could be fixed and yet at this date, if the testimony we had yesterday is correct, there is no rule or regulation against that practice now, and when they do it, it is within the law—that is, within the law to put on these high prices.

I would put some teeth into the thing and make them criminally liable if they violated it—and I say that, although I know it is not in your bailiwick.

Mr. FLEISCHMANN. I agree with you, however.

The CHAIRMAN. Mr. Fleischmann, you stated this morning when we asked you to come back, that you might have something on this afternoon.

Mr. FLEISCHMANN. No, I am free. I can stay here.

The CHAIRMAN. That is good.

Are you through, Senator Hickenlooper.

Senator HICKENLOOPER. Yes. I did not want to occupy all of the time.

The CHAIRMAN. Well, Mr. Fleischmann, I am glad that you have consented to revise the classification of industrial and commercial structures.

I am wondering now the extent to which you would be willing to consult with the trade representatives and otherwise be willing to accept recommendations from them in regard to a new classification.

Mr. FLEISCHMANN. Well, I would be very happy to do that, and if there are particular ones that are particularly interested, I will invite them right now to make arrangements.

Senator HICKENLOOPER. Mr. Chairman, I am sorry, but I do have another question or two.

The CHAIRMAN. Surely.

Senator HICKENLOOPER. Do you have anything to do, or is there any possibility of your having anything to do, with the allocation of types of machinery to areas of the country?

Mr. FLEISCHMANN. I hope not. I do not have anything to do with it now and I do not think there is any possibility. That was done by the Agriculture Department during the last war, and, unless I am mistaken, the Defense Production Act provides the same thing this time.

Senator HICKENLOOPER. Would it come under you?

Mr. FLEISCHMANN. It does not, and if it did, I would make an arrangement with the Department of Agriculture where they would have that.

Senator HICKENLOOPER. Thank you.

The CHAIRMAN. Mr. Fleischmann, I do not know whether your agency knew anything about this, but you do have something to do with the allocation of sulfur, do you not?

Mr. FLEISCHMANN. Yes, sir.

The CHAIRMAN. I have a letter here from the Summers Fertilizer Co. The letter comes from Washington but this concern is located in Baltimore, Md., and the letter is addressed to Dr. Russell Coleman, president of the National Fertilizer Association. To this letter are attached a few ads indicating that there is available foreign superphosphate from countries evidently receiving sulfur from us and they are using it apparently in the making of superphosphate and sending back this product in competition with our own——

Mr. FLEISCHMANN. I would like very much to look at that.

The CHAIRMAN. Very well, I will have it placed in the record at this place.

(The letter referred to is as follows:)

SUMMERS FERTILIZER CO.,
Baltimore, Md., September 21, 1951.

Dr. RUSSELL COLEMAN,
President, National Fertilizer Association,
616 Continental Building, Washington 5, D. C.

DEAR RUSS: The attached clippings from the Journal of Commerce of September 18 high light a situation which I feel should be brought to the attention of NPA—or whoever allocates our sulfur for export. On the one hand, our domestic economy is being penalized because of reduced sulfur allocations occasioned in part by exports of a million tons of sulfur. Some of this same sulfur is processed abroad with foreign labor and then made available to our domestic consumers at an increase of 70 percent over our own wholesale ceiling prices.

While it is doubtful this price of $1.20 per unit in bulk, Charleston, S. C., will attract wholesale buyers, it might interest some dealer or consuming trade at $28.60 per ton in bags. Therefore it can be properly stated that this sulfur, which we are virtually giving away to foreign countries, is coming back to compete with us. It has been my understanding that this sulfur was urgently needed by foreign countries to prevent their own domestic economy from collapsing.

Through various sources, we have received other offerings of P_2O_5 in the form of 20 percent and triple—all produced in countries receiving United States sulfur. In view of NPA's pending further reductions of domestic allocations, I feel the NFA can properly bring this matter before them to back up a vociferous protest that our industry should not receive further reductions.

Very truly yours,

J. E. TOTMAN,
President, Summers Fertilizer Co., Inc.

AVAILABLE
FOREIGN SUPERPHOSPHATE
18–20 PERCENT IN BULK
OCTOBER ARRIVAL
CONSUMPTION U. S. ONLY
Box AA 227, Journal of Commerce

SUPERPHOSPHATE

One award has been made by the New York Quartermaster Procurement Agency, New York City on QM–30–280–51–1410, covering superphosphate (granular or an equal processed fertilizer containing 18 percent available P_2O_5) to the International Ore & Fertilizer Corp., New York City, for 2,770.4 metric tons, valued at $83,943.12.

SUPERPHOSPHATE
20 percent minimum available
PHOSPHORIC ACID
At $1.20 per unit
Bulk Charleston, S. C., plus $4.60 per
ton of 2,000 lbs.
If wanted in 6-ply 100-pound paper bags—
100 tons minimum order
October delivery
HERBERT NEUSTADT
1 Hudson St., New York, RE 2-6152

(Additional information submitted by the National Fertilizer Association is as follows:)

SUMMERS FERTILIZER CO.,
Baltimore 2, Md., September 26,, 1951

DR. RUSSELL COLEMAN,
President, National Fertilizer Association,
616 Continental Building, Washington 5, D. C.

DEAR RUSS: Following up my recent letter regarding offerings of foreign P_2O_5 from countries receiving U. S. A. sulfur, I should like to add another complaint to what seems to be inequitable treatment of our domestic sulfur consumers:

On September 25 I was advised by a responsible official of a large domestic sulfur producer that they had just received advices that, commencing promptly Canada would be allowed a sulfur quota equivalent to 100 percent of its 1950 importations from U. S. A. This in lieu of an 85 percent allocation which is in line with current allocations to our domestic industries by this particular sulfur producer.

It is further reported that the Canadian Government, out of its 100-percent allocation, will in turn allocate to one and all Canadian consumers of sulfur a similar 100-percent allocation. This, of course, means that Canadian fertilizer manufacturers using U. S. A. sulfur will receive, for the next quarter at least, 100 percent of their 1950 consumption against 80 to 85 percent being made available to U. S. A. fertilizer manufacturers. A sizable percentage of fertilizer producer in Canada from U. S. A. sulfur is exported into the U. S. A. In some areas it is extremely competitive even to the extent of underselling U. S. A. producers by several dollars per ton. I refer specifically to the mixed goods fertilizers manufactured by Canadian Industries, Ltd.; Canada Packers and International Fertilizers, Ltd.; all of whom sell in the U. S. A. areas adjoining the New England border, more especially Maine.

I feel that such discrimination is unjust and unnecessary. If U. S. A. industry is expected to adjust itself to an 80 to 85 percent allocation of sulfur because of an acute shortage, then why should not our Canadian neighbors be treated similarly?

Very truly yours,

J. E. TOTMAN,
President, Summers Fertilizer Co., Inc.

Mr. FLEISCHMANN. Can you just have it copied or photostated?

The CHAIRMAN. We will see to it.

Mr. FLEISCHMANN. I would like very much to see it.

The CHAIRMAN. The clerk will see that you get this.

Mr. FLEISCHMANN. As you know, there is some sulfur produced in Europe other than in the form of brimstone. It is made of pyrites. I would like to check into this.

The CHAIRMAN. Yes. The point is that we are called upon to ship a lot of important and much needed fertilizers to our friends across the seas. Now, why fertilizer should be permitted to be sent there and sent back—it does not make any sense.

Mr. FLEISCHMANN. I do not know about it, but it ought to be looked into.

The CHAIRMAN. Mr. Fleischmann, I want to say that we have been very happy to have had you, and if there is anything else you desire to add to what you have stated, you are welcome to do so.

Mr. FLEISCHMANN. Thank you very much.

The CHAIRMAN. Mr. Wiman, I understand, wanted to make an additional short statement.

Mr. WIMAN. Yes, sir; about a page and a half, Mr. Chairman.

The CHAIRMAN. All right, but first there is one question I would like to ask Mr. Fleischmann, that I want to get his ideas upon.

You stated a while ago, Mr. Fleischmann, that you had advised the trade sometime ago with respect to utilizing steel to make parts. You do not have any authority to force the trade to build anything——

Mr. FLEISCHMANN. Yes, sir; we can do all those things if we have to. Our theory is, and I think it has been wise, that the less regulation the better, on the whole.

The CHAIRMAN. Well, so far, it has been the wiser.

Mr. FLEISCHMANN. In that particular area I have not attempted to tell every manufacturer exactly everything he should make. I hope I never have to, they certainly should know better than we what they can do.

The CHAIRMAN. Yes. Well, that question concerns parts.

I am informed it is possible that the trade could make many more of a particular tractor that is more in demand than others; but to what extent would you regulate the steel to be used for the making of the tractors that are more in demand than others?

Mr. FLEISCHMANN. Well, sir, under the powers that Congress has given us, we can do anything like that.

The CHAIRMAN. I see.

Mr. FLEISCHMANN. We have done it only to a very limited extent, as perhaps Mr. Wiman would know, and I think that Mr. Wiman will agree with me.

Mr. WIMAN. In my industry, I agree.

Mr. FLEISCHMANN. The industry knows far better than we what, within general limits, they ought to be making. We allocate generally on an industry-wide basis and under broad categories.

The CHAIRMAN. Well, I do not know much about it but it is my hope the industry can get together to utilize the steel allotted for the greatest benefit. In other words, if there is a surplus of a certain machine or certain tractor or a certain plow and if there is another, which is in great demand the trade ought to use that steel to manufacture that other.

Senator YOUNG. For example, in farm machinery some of them may use practically all of the steel to make new machines and neglect repair parts.

Mr. FLEISCHMANN. Well, we have that authority and, without quoting names because I do not think it is fair, I had it out with one of the major producers at an early date about this. We have that authority and we could do it if we wanted to do it. But, as I said, I think that the less that the Government does, the better. And, after all, the producer knows that if he does not have those repair parts, he will kill himself off pretty quickly.

Senator YOUNG. There are other angles. They might think that if Congress howls enough, they will get additional steel to make the repair parts.

Mr. FLEISCHMANN. You absolutely astound me, Senator. [Laughter.]

STATEMENT OF C. D. WIMAN, PRESIDENT, DEERE & CO., MOLINE, ILL.—Resumed

Mr. WIMAN. Thank you, Mr. Chairman, for allowing me this short additional statement.

In the first place I believe the record will show that my testimony of yesterday as to allotments of steel to the auto industry was based upon a press release of the Defense Production Administration read into the record. That part of the testimony that I gave I would very well be glad to have corrected, but I would like to submit it was not my own inaccuracy.

However, that was not the purpose of this statement this afternoon. This morning Senator Eastland asked me a question I was unable to answer and I looked it up to the best of my ability, and I would like to read a short statement and then I am through. Is that all right?

The CHAIRMAN. You may proceed and read it, Mr. Wiman.

Mr. WIMAN. Mr. Chairman and gentlemen of the committee, Mr. Anshen, in his testimony before this committee this morning, indicated that the steel allotted to the farm machinery industry in the fourth quarter of this year, was approximately 560,000 tons and that this allotment came very close to giving us 100 percent of the steel that we used per quarter in our base year of 1949—at least, that is what I was getting from his remarks.

In connection with this testimony by Mr. Anshen I was questioned by the members of this committee—specifically, that was Senator Eastland—as to what our industry figures showed to be the per quarter consumption of steel in 1949. My reply to this question has created some confusion, which I would like to clarify at this time.

Our industry figure in respect to the per quarter tonnage of total steel, not just carbon steel, used in 1949 is 690,000 tons per quarter. This figure has been set forth in the official statement of the Farm Equipment Institute of this year, commonly referred to as the White Book.

I would like to have that in the record.

The CHAIRMAN. We will file it at this point.

(The booklet referred to is as follows:)

FARM MACHINERY AND EQUIPMENT NECESSARY FOR THE NATION'S AGRICULTURAL PROGRAM

VOLUME II

Farm Equipment Institute, January 1951

The Farm Equipment Institute published a statement during the month of November 1950, which has since been referred to as the Farm Equipment Blue Book In that publication it was stated that farm machinery and equipment are the machine tools of the farmer—no less essential to him that machine tools to industry. Under conditions which existed in November 1950, the Farm Equipment Institute favored a free materials market with equitable free market distribution of materials to all manufacturers of farm machinery and equipment.

On December 16, 1950, the President of the United States declared a national emergency and has since created the Office of Defense Mobilization, which is placing further restrictions on the use of materials by civilian industries. In our Blue Book it was stated—if military material needs become so great that production of essential nonmilitary items is endangered, the industry should then be assured that the materials it must have to produce the farm equipment needs of the Nation will be made available.

Both large and small manufacturers now report that material shortages are seriously curtailing their current production. This situation will become progressively worse, unless suppliers are directed by the Government to see that adequate quantities of materials are provided to assure the necessary production of farm machinery, equipment and repair parts. Prompt action is needed to increase present material deliveries in the first calendar quarter of 1951, and to assure continued deliveries of materials in the succeeding months.

For the duration of the present emergency, we now urge that critical materials be made available in adequate supply and in time to produce sufficient farm equipment to meet the needs of the Nation. We also advocate a prompt return to a free materials market when the present emergency has passsd.

Agricultural production goals for 1951 are larger than for 1950, which means that the production of farm machinery and equipment in 1951 should be greater than in 1950. During the year 1950, the approximate consumption of several critical materials by the farm equipment Industry was as follows:

	Tons
Steel	2,760,000
Zinc	31,012
Copper	27,600
Aluminum	16,850
Tin	3,257
Nickel	911

These tonnage figures, representing the materials required to produce the 1950 output of farm machinery and equipment, are relatively small percentages of the total national use of these materials For example, as stated in the Blue Book, the industry's steel requirement of 230,000 tons per month represents only 3.8 percent of the output of the steel industry. Use of nonferrous metal by the industry is an even smaller proportion of the total national consumption of these critical materials.

As we understand it, the responsibility for an adequate program for the production of farm machinery, equipment, and repair parts has been delegated to the Office of Materials and Facilities of the United States Department of Agriculture as claimant agent; the responsibility for allocating materials has been assigned to the Defense Production Administration.

As a first step in the program of guaranteeing an adequate supply of materials, we urge that the Director of Defense Mobilization issue a statement naming farm machinery and equipment as essential to the production of food and fiber, and consequently of vital importance in the defense mobilization program.

We request, further, in order to assure production in 1951 equal to or better than 1950, that steel companies and other suppliers of critical materials honor the purchase orders from each manufacturer of farm machinery and equipment for a tonnage of materials equal to the tonnage delivered during the best of the years 1948, 1949, or 1950. It is also suggested, where restrictions have been issued on the use of specific materials such as copper, that a workable appeals procedure be set up in the Defense Production Administration through which manufacturers of farm machinery and equipment can obtain relief.

The members of the Farm Equipment Institute recognize that the United States Department of Agriculture may advocate much larger production of certain agricultural machines in 1951 than in 1950. To avoid unnecessary complications in administering a farm machinery program, it is suggested that these specific cases be handled, for the present, through an appeals procedure.

It seems unnecessary to labor the argument that agricultural production is of the first order of importance in any industrial mobilization of the country's resources for war or peace. Drought and famine strike friend and foe alike with little warning, and it is an historic role of the United States to feed the hungry at home and abroad. From the strict military viewpoint, food and fiber have seldom been on the losing side of any military encounter.

We wish to call particular attention to the population shifts during the period of World War II, when more than 5,000,000 people left farms for war plants, military assignments and other nonfarm occupations. In this same period, it was necessary that agricultural output be increased to levels unprecedented in all of our Nation's history.

The unusually long period of favorable weather for agriculture experienced during the World War II years is not likely to be repeated during the next decade. Farm machinery can do much to overcome the handicap of bad crop weather—another very compelling reason for an assured and adequate supply.

During the year 1943, we came close to catastrophe in an unwise attempt to cut back farm machinery and equipment production to so-called minimum essential requirements. Farmers of advanced age whose able-bodied sons, daughters, and hired help had left the farms were asked for increased farm production without the necessary equipment to plant or harvest their crops.

As stated in our Farm Equipment Blue Book, "So much in the way of farm production depends on so little in the way of material and manpower that it would seem wise to plan for a safe agricultural program and for an adequate equipment program with which to produce it."

Respectfully submitted,

FARM BUREAU INSTITUTE,
JOHN L. MCCAFFREY,
President.

H. B. MEGRAN,
Chairman, Executive Committee.

Mr. WIMAN. The same figure was set forth by Mr. John L. McCaffrey, president of the International Harvester Co. and president of the Farm Equipment Institute, in his testimony at the hearings on farm machinery before the House Committee on Agriculture in March of this year, at page 112 of this report. This figure has been consistently presented to both the Department of Agriculture and the National Production Authority in respect to this Controlled Materials Plan.

By way of further clarification, I would like to indicate that if our industry is to meet the estimate of the Department of Agriculture in respect to the necessary machinery to produce the food and fiber goals of that Department, which estimate you recall is an increase of 15 percent over our 1949 production, we would have to have an allotment of 793,000 tons per quarter in 1952; that is, for each quarter of the year——

The CHAIRMAN. Is that to equalize——

Mr. WIMAN. The 100,000 tons already and then that 15 percent that Mr. Geissler and Secretary Brannan said was necessary.

The CHAIRMAN. And that was over the base period?

Mr. WIMAN. It was 15 percent over the base period.

The CHAIRMAN. That is what I was talking about.

Mr. WIMAN. Yes, sir. The answer is "Yes"; I am sorry.

In conclusion, I would like to state that the allotment to our industry of 560,000 tons for the fourth quarter of this year is 130,000 tons less than the per quarter consumption of steel for our industry in our base year 1949, and 233,000 tons per quarter short of the amount of steel required to produce the farm machinery necessary to meet the 1952 food and fiber goals of the Department of Agriculture.

The CHAIRMAN. Mr. Wiman, you have been attending these meetings every day.

Mr. WIMAN. Yes, sir.

The CHAIRMAN. I am sure that, as a manufacturer, you understand the difficulty that they confront.

Mr. WIMAN. I certainly do. I never had any doubt about it.

The CHAIRMAN. And I hope these hearings will result in spurring people on to give agriculture a better allotment. Now, whether or not it can comply with all that the trade desires is a thing that is pretty hard to state, but I am sure that at least you realize the difficulties that confront them.

Mr. WIMAN. Yes, sir; I do, and I am very glad that the chairman and the members of the committee have taken the action which they

have, because I think it is a step in the right direction and to the best interests of the farmers.

The CHAIRMAN. I am very hopeful that those who need steel do not believe that we are the ones that would be able to give them all they ask for. All we can do is possibly pave the way to a better method of allocation and, perhaps, get a few better ideas.

Mr. WIMAN. And you will get better ideas if you do what you have been doing.

The CHAIRMAN. That is very kind of you. I would say, off the record——

(Discussion off the record.)

Senator THYE. Mr. Wiman, what percent of your orders were you able to fill throughout the territory or among your dealers?

Mr. WIMAN. That percent of orders I gave earlier in my testimony of yesterday.

Senator THYE. Then I should not question you any further.

Mr. WIMAN. Deere & Co. conducted a survey on 25 representative machines which represent 73 percent of Deere & Co., dollar volume and that is a very large percentage. We will be unable to fill orders with the present Government allotments, but that is all in the testimony.

Senator THYE. All right, sir.

The CHAIRMAN. I wish to state that this just about ends the hearings on farm machinery.

If you recall, on the first day of the hearings we covered the question of pesticides to some extent, but since then the people representing that industry have asked to be heard.

Therefore, tomorrow we will hear Mr. Alexander, Under Secretary of the Army, with respect to these nitric-acid plants. We shall also hear from Mr. Alstetter, Deputy Director of the Office of Materials and Facilities, Production and Marketing Administration, Department of Agriculture; Mr. Hitchner, the executive secretary, National Agricultural Chemicals Association, and Mr. Klipstein, the Chief of the Chemical Division, National Production Authority. I wish to state that after we have heard them we will have about concluded the hearings on farm machinery, pesticides, and fertilizers.

There being no further witnesses today, the committee will stand in recess until tomorrow morning at 10.

(Whereupon, at 4:30 p. m., the committee adjourned, to reconvene at 10 a. m. Friday, September 28, 1951.)

FERTILIZER—FARM MACHINERY—PESTICIDES

FRIDAY, SEPTEMBER 28, 1951

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10 a. m., in room 324, Senate Office Building, Senator Allen J. Ellender (chairman) presiding.

Present: Senators Ellender and Aiken.

The CHAIRMAN. The committee will be in order.

Mr. Alexander, you are no doubt familiar with the shortage of nitrogen fertilizer and the urgent need for increased supplies of nitrogen to help meet our food and fiber production goals. From information presented to this committee in the past few days, it appears that the Army could be of material assistance in maintaining and increasing nitrogen supplies.

We are informed that the Army plans to reactivate the Indiana Arsenal at Charlestown, Ind., which has certain facilities now making nitrogen for use in agricultural fertilizers. It is our understanding that these facilities are now producing 12 percent of the nitrogen solution in this country, or between 3 and 4 percent of the nitrogen used in agricultural fertilizers.

When this plant is reactivated for defense purposes, the present operator of the nitrogen-solution facilities will be forced to give up his lease. Yet, the entire facilities of the plant will not be used in the defense program. We can understand why the new operator of the plant may not want to share responsibility with a second operator.

Yet, it is urgent that these facilities be maintained in nitrogen production until they are actually needed for defense purposes. I want to request the Army to explore all the possible alternatives for maintaining these facilities in nitrogen production in the interests of helping the farmers of this country meet their food and fiber production goals.

I hope that you will take this problem up with Secretary Brannan and his staff and find a workable solution to it.

The second problem concerns the leasing of a few of the nitric-acid units now in idle war plants. We are informed that as late as July of this year the Army had approximately 50 idle nitric-acid units in its reserves. We are also informed that requests for the building of new nitrogen production facilities have been approved, which include plans for 11 new nitric-acid units. Because of the shortage of stainless steel and other materials and the difficulty of getting them built in a short time, some of these companies are considering importing nitric-acid units from Germany or other European countries.

In fact, one company has already been forced to import two units from Germany.

This committee has been informed that several of these companies would be glad to lease nitric-acid units now in the Army's reserve with the privilege of dismantling and moving them to the location of their new plants. We are advised that the companies would pay all dismantling and transportation costs and agree to return them to their present location at no cost to the Government, if and when they are needed for defense purposes.

Would it not be possible for the Army to establish a priority of need for the nitric-acid units not now in use and make available those having the lowest priority in the present defense program?

Industry representatives have called the attention of the committee to the shortage of ammonia if all the Army's nitric-acid plants were to be reactivated in a short time. They assure us that they could return the leased nitric-acid units to their place of origin and have them in production before the Army could add sufficient ammonia facilities to put them all into production again.

In view of the critical shortage of materials for the construction of new facilities and the urgent need for additional nitrogen fertilizers, our committee requests the Army to give further study of this problem. We shall be happy to hear what you have to say this morning, Mr. Alexander, on both of these problems.

I wonder if you would be good enough to take the first problem that I have mentioned; that is, the utilization of the plant at Charlestown, Ind. If you have to have it for the production of nitrogen products for the Army, could not some of it be used for production of nitrogen for fertilizer? Is it possible that other units that are not now activated might be used, instead of the Indiana plant?

STATEMENTS OF HON. ARCHIBALD S. ALEXANDER, UNDER SECRETARY OF THE ARMY; AND BRIG. GEN. MERLE H. DAVIS, OFFICE OF CHIEF OF ORDNANCE, AMMUNITION BRANCH, DEPARTMENT OF THE ARMY

Mr. ALEXANDER. Mr. Chairman, I would be glad to speak to the first question.

I wonder if you would let me first give a little background for showing you the problem that we are up against.

The CHAIRMAN. Yes, certainly.

Mr. ALEXANDER. Let me say that 15 percent of World War II capacity for making nitric acid and TNT has been lost irrevocably already. We estimate that in case of an all-out mobilization our requirements would be 25 percent greater than during World War II.

You know that this ingredient goes both into smokeless powder, the propellent, and also into TNT, which is the primary explosive; at least, currently being used.

Our problem is twofold at the present. One is to manufacture our current requirements, and the other is to be ready in case of all-out war, to make what would then be necessary before it was too late.

Unfortunately, both from the farmer's point of view and from the defense point of view, these plants take a long time to put together and put into production.

We entered the Korean conflict with a certain reserve which has been by that conflict very much depleted.

I could summarize it by saying that we urgently need now to make more TNT and smokeless powder.

The CHAIRMAN. Before you get to that stand-by plan, is it true that the entire facility in general is not to be used and that it is possible for the plant to manufacture both your requirements as well as some that could be used by the farmers?

Mr. ALEXANDER. Your question is in two parts. It is true that for present requirements we will not be using the full capacity of the Indiana Arsenal when reactivated. In case of all-out requirement, we would require the entire capacity and a good deal more.

The second part of your question: Could the two purposes be served simultaneously in the same installation? It is our opinion that it would not be practical, and we believe that it is the opinion both of du Pont, the contractor, who will operate the part for the military, and of Spencer, which would operate the other part, that it would not be practical to do the two together.

The CHAIRMAN. Why could not what you do not use be sold, leased, or transferred for the use of the farmers? In other words, let your operator make nitric acid to the capacity of that plant, and dispose of the surplus, if there be such, for the purposes of the farmers.

Mr. ALEXANDER. I understand the question, and I should be glad to have that further explored, but it is my understanding that both du Pont and Spencer felt that it would not be practical to operate under one site for both of these purposes.

The CHAIRMAN. I can understand that if two operated that would be true, but if the same operator runs the plant why can it not be run at its capacity? It does not make any sense to me that the one operator could not use the plant to full capacity and the production that you do not need be allowed to flow through channels whereby it could be used for the purpose of making fertilizer.

Senator AIKEN. I did not get Mr. Alexander's first statement; I was at the telephone. Who operates the Charlestown plant for you?

Mr. ALEXANDER. It will be reactivated by du Pont.

The CHAIRMAN. As I just pointed out, du Pont will not use this plant to its full capacity and the same facilities could make much more acid than the Government needs. This additional acid could then certainly be used for fertilizer.

My proposition is, why does not the Army operate the plant to its full capacity and make some agreements to dispose of that surplus, so that this surplus could be used in the manufacture of fertilizer for farmers?

Senator AIKEN. You cannot manufacture too much nitrogen. I think it is safe to say that, because if we should get enough to go around in this country every country that we do business with would be asking for nitrogen, with the possible exception of Western Europe. I think they are fairly well provided for.

Nitrate does more than any other one element to make up for the loss of labor. If we can use nitrate, the crops will start growing, so that they overcome the weeds. You can get along with less labor if we can have nitrate.

The CHAIRMAN. You grasp the problem?

Mr. ALEXANDER. Yes, sir; I do. I shall be glad to have that looked into further. It was my impression that du Pont and Spencer both felt there was no way of working that out.

The CHAIRMAN. I believe, from what I have heard here, that it would not work, because it would require two operators, but my proposition is that if two operators cannot work together, that it is not feasible, then du Pont should operate the plant to its capacity to produce nitrogen, and whatever the Government does not need could then be available for the farmers. I want to emphasize this: I know you realize it, that food is as important as the nitric acid itself to make ammunition. I am sure that the present operator of the plant is going to suffer some losses, but if it is a choice between continuing and then letting the Government suffer for lack of nitric acid to make gunpowder, I believe he would go broke rather than let that happen.

The point is that if you can use him and do that, which will be answered by your second question, then let du Pont operate it and let the surplus go to some agency of the Government, or in some other way make it available for fertilizer.

Senator AIKEN. The du Pont Co. manufacture fertilizing nitrogen, anyway. They have one 48 percent nitrate, Uramon.

The CHAIRMAN. Let me ask you this question: If the same facilities are there that can be used to make the same kind of nitric acid that can be used to make both powder and fertilizer, why cannot the present operator make nitric acid for the purpose of furnishing you with the necessary acids to make this ammunition? In other words, why go to du Pont? Why do you not use the lessee who is there now, if they have the same facilities? Why cannot the Government buy it from them, possibly cheaper or as cheaply as you got du Pont to operate the plant?

Mr. ALEXANDER. I have probably the best expert in the country on ammunition, and I think in the course of it he picked up something about the making of fertilizer. That is General Davis; and I would like to ask him to answer that particular question because I do not know what Spencer is now making there and what du Pont will make there, whether they are the same thing.

The CHAIRMAN. I understood all along that it is the same kind of acid.

General DAVIS. The acid is only an intermediate material. Perhaps I should just go back in a simple statement as to the selection of an operator for a plant such as the Indiana Arsenal, which is our largest facility for the manufacture of smokeless powder.

The manufacture of TNT and most of our high explosives is a good job which any good chemical company, such as the Spencer Chemical Co., could do.

Smokeless powder differs from the others in the fact that there is still some art involved, as well as chemical technology, in the manufacture of that particular kind of explosive material, and we would feel it unwise to go outside of the three people who still have within their organizations extensive smokeless-powder knowledge, which are du Pont, Hercules, and the Olin Industries, to get our operator. That rules Spencer out of the business of operating Indiana almost automatically. That does not mean that the Spencer Chemical Co. is not a valuable adjunct in our ammunition business.

They were scheduled to operate another of our plants, not making smokeless powder. We were unable to come to terms here, and we finally took another operator, but they have operated plants for us before and I have a very high regard for their personnel. But just this particular job which we need to do here is not a job for anyone outside of those three people, and we have the other two pretty well absorbed in other things.

I think, Mr. Chairman, that we should fully explore, as Mr. Alexander has stated, the possibility of du Pont operating any of the nitric-acid facilities that are not needed for our current program, to full capacity, and the surplus to get into the fertilizer channel.

That can be done possibly in one or two ways. We will have to take this up with the du Pont people, but it can be done either with du Pont leasing the surplus facilities and do this as a commercial thing, which is, after all, up to the company, or being able to surmount the legal difficulties involved in the problem of the Army going into a commercial product.

The CHAIRMAN. I think we can probably do something about that, but the point is this: I want you to realize the necessity for this; in other words, the country as a whole, the President as well as the Department of Agriculture are begging farmers to do this, that, and the other, and our land resources are limited. The only way we can increase production is not by new lands, but by making the land itself that has been under cultivation for years produce more, and that is by way of using fertilizer.

You know, I wish the Army could be more sensitive to the necessity of food and fiber in order to get the Army on its feet, in order to make the ammunition and everything that is necessary to fight a war.

Mr. ALEXANDER. May I say a word to that point?

The CHAIRMAN. I am sure you would agree with me.

Mr. ALEXANDER. Yes, sir; but I would rather say a word about the Army's sensitivity to food.

The CHAIRMAN. When I say sensitivity, I do not mean for the Army itself but the people as a whole, you understand, because you need food as much to maintain the farmer who produces it as you do for the soldiers who fire the guns.

Mr. ALEXANDER. I would merely like to state for the record that we are sensitive to that, and that we have been spending long overtime on it. I myself particularly have, in getting something satisfactory and legal, so that Morgantown Ordnance could be put back into production to produce ammonia. I have probably spent more time on that one thing than on anything else in the last year, because we are trying to cooperate with the Department of Agriculture to get that very large plant back into production.

The CHAIRMAN. Morgantown is past history now. What we are talking about is this other. You put your good brains to work on it and try to find out some way to either have the present owner, if it is possible, in conjunction with du Pont to do it, or else, if that cannot be done, let du Pont manufacture to the full capacity and let us have the surplus for the farmer now. That is what I am asking you now to do, if you can, and if you do not have the legal authority to do it, let me know within the next 48 hours and I will see what I can do on the Senate floor about it.

90402—51——24

Mr. ALEXANDER. We will be glad to do that. I just wanted to plead guilty to sensitivity on the subject.

The CHAIRMAN. I do not see why you cannot with the present law do that, because if you stopped to think, the production of food is as necessary as the production of ammunition, to fight this war. I believe under the same law you can get going on the ammunition, and you ought to be able to get it for food just the same. In other words, it is just common sense to me.

Mr. ALEXANDER. Yes, sir.

The danger of that is on that basis there is almost nothing done in the country that the Army could not claim to be necessary for it.

Senator AIKEN. You cannot separate the defense expenditures from any other.

Mr. ALEXANDER. We shall try to do that for you. We have been trying to do other things for the farmer.

The CHAIRMAN. The next question is about the use of these plants that are idle.

Mr. ALEXANDER. There are a number of them which we have offered to lease under the normal national security clause.

The CHAIRMAN. You mean in place?

Mr. ALEXANDER. In place, right. When it comes to dismantling them and moving them, unless they happen to be moved to a place that was equally useful in case of war, I do not see how we could safely do that, because it would take us so long to rebuild these facilities in case of war.

The CHAIRMAN. I can understand that.

Mr. ALEXANDER. We remain ready to try to help at any of the existing sites.

The CHAIRMAN. First, as you can readily see, there are the difficulties of a company going over to take these plants, with the experience that Spencer is now having, because I understand that they are going to lose quite a bit of money there.

Mr. ALEXANDER. I am afraid that is so.

The CHAIRMAN. Exactly. And it is not very enticing for others to go and reactivate other plants in the light of what you are doing with respect to them.

Mr. ALEXANDER. We understood from Spencer that it would take them about 3 years of operation, if they went into a new plant, before they would have made themselves whole.

Senator AIKEN. That is because they do not have the fertilizer business.

Mr. ALEXANDER. I thought it was because of the expense incident to getting going again.

Senator AIKEN. There is no doubt but what the use of nitric acid is going to increase every year. I do not think we will ever have enough to satisfy us. At the present time, however, except for cotton and rice we are probably going to diminish our agricultural reserves this year. We can get along so long as the war does not spread. If it does spread we are not prepared agriculturally to meet the needs. Nitrogen is the one thing that would do it. The land could get along without phosphate, it could get along without potash, maybe, for 2 or 3 or 4 years, depending on the part of the country, but nitrate is something that has to be applied every year, because it just does not stay in the soil otherwise.

The CHAIRMAN. How much time would it require, General, to find out about the proposals that were made this morning, which we are discussing now?

General DAVIS. We will start the wheels turning immediately when we get back to the Pentagon. It ought not to take us long to arrive at an answer.

The CHAIRMAN. We need that badly.

Mr. ALEXANDER. It will involve getting in touch with both companies involved.

The CHAIRMAN. I wish you would get in touch with my office or with the committee here and let us have a memorandum on it so that if and when we publish these hearings we will be able to include your answers to the questions that have been propounded.

Mr. ALEXANDER. We will give you an interim report if we find we cannot give you a final report within a week or so.

The CHAIRMAN. Thank you very much.

Mr. ALEXANDER. Thank you, Mr. Chairman.

(The reports referred to above are as follows:)

DEPARTMENT OF THE ARMY,
OFFICE OF THE UNDER SECRETARY,
Washington, D. C., October 11, 1951.

Mr. JAMES M. KENDALL,
Senate Committee on Agriculture and Forestry,
Senate Office Building, Washington, D. C.

DEAR MR. KENDALL: This letter confirms the telephone conversation I had with Senator Ellender on September 29.

On September 28 a three-way telephone conversation was held between a representative of du Point Co., the commanding officer, Joliet (Ill.) Arsenal, and Brig. Gen. Merle H. Davis, Office, Chief of Ordnance, United States Army.

At the conclusion of this conversation it appeared certain that an arrangement, satisfactory to all interested parties, would be worked out. The significant features of the anticipated arrangements were indicated confidentially to Senator Ellender verbally by me on September 29, 1951. When negotiations have been completed, a firm report will be submitted to the committee.

Sincerely,

ARCHIBALD S. ALEXANDER,
Under Secretary of the Army.

DEPARTMENT OF THE ARMY,
OFFICE OF THE UNDER SECRETARY,
Washington, D. C., October 19, 1951.

Hon. ALLEN J. ELLENDER, Jr.,
United States Senate.

DEAR SENATOR ELLENDER: This will supplement my telephone conversation with you on September 29, 1951, and my letter of October 11, 1951, to Mr. Kendall, and is a second interim report regarding progress in reactivation of the Indiana Arsenal at Charlestown, Ind., and our effort to insure that the Spencer Chemical Co. is enabled to continue to operate three nitric acid units, the output of which is used in making fertilizer, in which your committee has naturally expressed great interest.

The verbal agreement between the du Pont Co., which is to operate the Army arsenal, and Generals Holmes and Davis of Army Ordnance, was that du Pont would undertake to permit Spencer, which is now operating three nitric acid units on the premises to operate three other units on the same premises while du Pont activates and operates a major portion of the premises for the manufacture of war matériel. We have not so far been able to reduce this understanding to writing, because before that can be done there must be a firm contract between du Pont and the Army regarding the operation at the premises by du Pont. This agreement has not been finally reached because of the inability of du Pont and the Army to reach a mutually satisfactory agreement regarding an advance

payment of the type customary when an outside contractor activates an Army-owned facility.

It is our understanding that this delay in making a final contract with du Pont will not adversely affect the production by Spencer at the three units which it is now operating at the facility. Spencer will be permitted to continue this operation during the delay incident to the negotiations with du Pont.

Sincerely,

ARCHIBALD S. ALEXANDER,
Under Secretary of the Army.

The CHAIRMAN. Our next witness is Mr. W. R. Allstetter, Deputy Director of the Office of Materials and Facilities of the Department of Agriculture. We are very happy to have you with us today.

STATEMENT OF W. R. ALLSTETTER, DEPUTY DIRECTOR, OFFICE OF MATERIALS AND FACILITIES, PRODUCTION AND MARKETING ADMINISTRATION, UNITED STATES DEPARTMENT OF AGRICULTURE—Resumed

Mr. ALLSTETTER. I have with me today Dr. H. L. Haller, Assistant Chief, Bureau of Entomology and Plant Quarantine; Dr. J. R. Magness, Director of Horticultural Research, Bureau of Plant Industry Soils and Agricultural Engineering; and Dr. Warren C. Shaw, Division of Weed Investigations of the same Bureau.

PMA looks to the Agricultural Research Administration for its technical guidance and these men from that agency can supply information to answer questions of a technical character.

With me also are Dr. H. H. Shepard and Mr. L. C. McAlister of the Office of Materials and Facilities who worked out agricultural pesticide requirements and present claims for these chemicals to NPA.

Secretary Brannan and Mr. Geissler have covered in previous testimony at this hearing the subject of the food needs of this country and the importance of meeting these needs through increased productivity. One of the most important means of increasing agricultural productivity is through the use of pesticides which include insecticides, fungicides, and weed killers.

Insects, plant diseases, and noxious weeds along with weather conditions and the fertility of the soil are the most important natural agents affecting crop production. When insects, plant diseases, or weeds become established, crops left unprotected may be completely ruined. Not only is at least a part of the potential harvest destroyed, but the farmer's investment in land, seed, fertilizer, and labor may be seriously impaired or lost entirely. Except in limited areas, only one crop can be produced each year on a given field. When widespread damage by pests to even a single crop occurs, the loss can be disastrous to the farmer, not to mention adverse effects upon other segments of the Nation.

The extensive use of insecticides and fungicides had its beginning only about 80 years ago. During the period around 1870, several developments made agriculturists especially conscious of the need for insect and plant disease control. As is true in the development of nearly all of our mechanical conveniences and processes, "Necessity has been the mother of invention" in the development of pesticides.

Probably the most important of the early "necessities" which encouraged the development of insecticides was the sudden appearance of the Colorado potato beetle over most of the areas where potatoes

were grown. This insect, native to the eastern slope of the Rocky Mountains, where it had previously fed on wild plants of the potato family, found the potato a particularly favorable food when the westward spread of potato growing brought this important crop within its reach.

Another serious insect pest which spurred early developments in chemical control is the San Jose scale, brought to California from Japan sometime before 1880. Introduced to the East on nursery stock, it became a scourge to fruit growers until lime-sulfur washes were found to provide adequate control. Numerous other examples could be cited of insects whose depredations were the direct incentive for the development of insecticides well known today. In passing it may be mentioned that the Colorado potato beetle and the San Jose scale have been reduced to the status of minor pests where appropriate chemicals are applied regularly.

Paris green was found early to be highly effective against the Colorado potato beetle, and by 1870 was used widely as an agricultural insecticide for a number of destructive leaf-eating insects. Lead arsenate was prepared for the first time in 1892, its superiority over other arsenical materials available at that time was soon demonstrated, and by 1910 it had largely replaced paris green.

Oils have been used as insecticides for many years, but it was not until the beginning of the present century that systematic studies were made to determine their value as dormant sprays to control scale insects, mites, insect eggs, and certain hibernating caterpillars. Oils are also used to increase the effectiveness of other insecticides, as carriers for insecticidal chemicals, and as weed killers.

Fumigants form another important group of pesticides which were also among the first insecticides used in the United States. Burning sulfur was probably the oldest method of fumigation. Hydrogen cyanide and carbon disulfide were the most important fumigants commercially and these were the only materials available until after 1920.

With development of commercial agriculture involving extensive areas devoted to single crops, rather ideal conditions were provided for the reproduction or propagation in large numbers of the pests of these particular crops, and the need for chemical pesticides became vital in these areas.

Cotton is an example of a single major crop which is affected by several destructive insects, particularly by the boll weevil. The boll weevil has been estimated to be responsible for 76 percent of all insect injury to cotton in the United States since 1909. It reduced the yield of cotton by over 30 percent in 1921, and at intervals since then it has reduced the yield from 15 to 20 percent. Average reduction since 1909 has been about 10 percent.

About 1916, calcium arsenate was found to be highly effective against the boll weevil. Heavy use of this chemical began in 1919 when about 1,500 tons were applied on cotton. This method of weevil control became well established with growers in the following decade. Calcium arsenate made it possible to limit the maximum annual average reduction in yield by the boll weevil to about 20 percent; whereas, the 1921 outbreak prior to general knowledge of the insecticide reduced the yield by about 30 percent. Thus, this form of chemical control played a major role in combating this insect.

Since World War II, when the whole concept of chemical control of pests was changed by the advent of DDT and other synthetic pesticides, two significant things have happened in the insecticide industry. One is that, although a few people realize the extent of its growth, the pesticide industry has expanded to tremendous proportions. The other, which is less evident to the average consumer, is that the selectivity in the use of insecticides, fungicides, and weed killers has not only become more marked but also increasingly necessary. There is no chemical known today that can be regarded as a "cure-all" pesticide. Some chemicals which fail on some pests are potent killers of other pests.

Progress in the development of fungicides has paralleled that of insecticides. Copper and sulfur are the oldest and still the most widely used fungicides, although these have felt the competition of synthetic organic compounds. The combinations of copper sulfate with lime have been used since 1870. As a result of recent investigations the fixed copper fungicides are standard products for the control of a number of plant diseases. The early 1930's saw the development of the dithiocarbamate compounds as fungicides, which can be used to replace sulfur and copper in many important applications. Several organic compounds for use as seed protectants of cereal, feed, and vegetable crops are now available. These seed protectant materials protect the seed and the young seedling against seed and soil-borne fungi.

The many plant diseases that attack fruit, vegetable, cereal, and forage crops are estimated to cause losses in this country amounting to $2 billion each year. Epidemics of plant diseases limit the kinds of crops that can be grown in certain regions and, like insects, they have even been responsible for the shifting of populations from one area to another.

In the humid regions of this country most fruit crops and many vegetable crops require the addition of fungicide dusts or sprays to prevent losses attributable to fungus or bacterial diseases. These materials are used as protectants rather than as curative agents. For that reason routine applications must be made, regardless of whether the disease may be less prevalent than usual.

Weeds have overrun and rendered practically useless many acres of once productive farm land, and even on most of the land in the highest state of cultivation weeds are one of the most serious impediments to efficient crop production. Weed control requires a large investment for implements and absorbs the valuable time of farm personnel during critical periods. Weeds reduce the quantity and quality of crops. Unwanted growths harbor rodents and destructive insects, act as alternate hosts to certain plant diseases, and maintain root rot and disease viruses.

Many weed killers have long been used in this country. With the discovery of the effectiveness of plant growth regulators in weed control about 10 years ago, a great expansion in chemical weed control occurred. The weed killer most widely used by far is 2,4–D. It is applied extensively for controlling weeds in wheat, corn, rice, oats, barley, and flax. It kills broad-leafed weeds such as mustard and thistle but does not kill the grain. Data compiled by the Bureau of Agricultural Economics indicated that 18,500,000 acres of small grain and 5,000,000 acres of corn were sprayed with chemicals in 1949. Es-

sentially all of the material used for this purpose was 2,4–D. The same herbicide is also used for cleaning up range lands and pastures. It has been especially effective on sand sage brush in the Southwest. More recently another somewhat similar plant growth regulator, 2,-4,5–T, is becoming more widely used for the control of certain woody type plants. It is particularly useful for clearing brush from range land, clearing canal banks, etc. With the use of 2,4–D, TCA, the dinitros, sodium chlorate, and other chemicals outstanding results in controlling weeds have been obtained in the United States. Chemical control of weeds may be achieved at a much lower cost than by mechanical cultivation, and in wheat, rice, and many other field crops it is the only practical method of weed repression. Chemical control of weeds is especially useful during wet periods in lowlands where, without spraying, a high weed population may result in total crop failure.

It is difficult to make a long range forecast on herbicidal needs because of the newness of many of the chemicals and because of the rapidly changing picture with respect to their evaluation. This difficulty may be illustrated by developments in Mississippi in 1951 where from 100,000 to 150,000 pounds of dinitro compounds were used as a preemergence treatment for weed control in cotton, whereas little or none had been used previously. It is certain, however, because of their value in saving labor and increasing quality and quantity of yield, that the use of weed killers will expand rapidly in the next few years. New weedkillers will undoubtedly be developed, some being under experimentation at present.

Some outstanding benefits derived from pesticides in recent years will be cited to show the great impact they have had on our agricultural economy. The expenditure for pesticides in terms of the manufacturer's value of the technical chemical is estimated to be:

1942	$ 40,000,000
1947	77,000,000
1950	112,000,000

The 1951 expenditure will prove to be much higher than in 1950.

It should be emphasized that the above estimated value of technical chemicals used as pesticides, do not cover the entire cost to the farmers for pest control. To the value of the technical chemicals should be added the costs of processing or formulation, packaging, and distribution. These additional costs are estimated to be greater than the value of the technical chemicals, and thus the farmers cost of pesticides would be over twice the above-stated value of the technical chemicals.

The dependence of growers upon the use of insecticides and fungicides in crop production can best be illustrated by giving examples of how widespread infestations have been controlled.

Greenbug on wheat: In 1950, over a million acres of small grain in Oklahoma, Texas, and Kansas became heavily infested with greenbugs that occurred in outbreak proportions and threatened to destroy the crops. Fortunately, a new insecticide, parathion, had been shown to be effective against this pest for which there was no previously known practical control. Approximately 653,000 acres of wheat were treated in Oklahoma with this insecticide, which resulted in an average estimated increase in yield of 4 bushels per acre, or a total increase of 2,616,000 bushels. At $2 per bushel, this increased production was worth $5,232,000. The farmers expended $1,308,000 in making the application; thus a net return of $3,924,000 was obtained in one State.

Grasshopper control: Grasshoppers are destroyers of a wide range of crops and pastures. In 1949 the value of crops destroyed by grasshopper damage was estimated at $27 million; whereas, the value of crops saved by applications of insecticides was place at $72 million, a saving of $55 for each dollar spent on insecticides.

Tomato yields increased by controlling insects: In California during 1949 approximately 66,500 acres of tomatoes were treated by airplane with DDT in dust form for control of the tomato fruitworm, using 4,322,500 pounds of the DDT dust. A total of 18,408 acres were treated with sulfur for tomato russet mite control, using about 460,000 pounds of sulfur. Without these treatments, it would have been impossible to produce a normal crop of tomatoes in California because of the tomato russet mite, and it is estimated that a gain of about 15 to 25 percent in yield of tomatoes was obtained by control of the tomato fruitworm.

Pest control increases milk and beef production: Horn flies cause damage chiefly through depletion of blood of the animals and through irritation and annoyance. Dairy cattle lose weight and there is a decrease in milk production of at least 10 percent during severe horn fly seasons. Pyrethrum and methoxychlor insecticides give control at a nominal cost.

On the livestock front the importance of controlling horn flies, lice, stable flies, and other pests was demonstrated recently in Kansas where 8,000 range cattle in 16 counties were treated with DDT. The added gains in weight for the treated animals ranged from 17 to 131 pounds a head, or roughly an average of 50 pounds. Kansas cattlemen figure that 5 cents worth of DDT per steer gave a gain worth around $10. It is estimated that Colorado farmers and ranchers, in a single recent year, gained more than $4,500,000 as a result of treating 1,638,750 cattle, sheep, and hogs to control insect infestations.

Cotton insect control: The value of using new insecticides for cotton insect control was demonstrated in two community-wide experiments undertaken by the Department in central Texas in 1949. Nineteen adjoining fields in one community were dusted or sprayed with insecticides. Fourteen fields in another nearby community received no insecticide treatments. The yield in lint cotton was 415 pounds per acre from the treated fields as compared with 178 pounds from the untreated fields. The net profit was about $54 per acre.

A similar large-scale test carried out in 1950 gave an average net gain of $74.84 per acre.

Forest saved by insecticides: Thousands of acres of valuable forests now are saved annually from destruction by insect pests through the aerial application of insecticides. The development of DDT insecticides that are highly effective and reasonable in price offered, for the first time, a tool that may be used to reduce tremendous losses from defoliating forest insects in inaccessible areas. For example, more than 1,500,000 board feet of lumber was saved through the aerial application of DDT insecticides to control the Douglas fir tussock moth on 413,000 acres of timberland in the Northwest in 1947. Another noteworthy accomplishment has been the control of an epidemic of the spruce budworm on approximately 1,000,000 acres of forest in Oregon and Washington by a single aerial application of DDT in 1950. Heretofore, these losses were accepted because no methods were known for combating the pests of forests.

In addition to saving vital timber stands, a forest insect control is an important factor in the prevention of floods and soil erosion. The protection of stored pulpwood, green logs, and lumber from wood borers and bark bettles is one of the most serious problems of lumbermen. New insecticides containing benzene hexachloride are now sprayed on the wood soon after cutting and render the wood free of insect attack for almost 3 months. Huge losses caused by ambrosia beetles that attack green logs are also prevented if the wood is sprayed.

National emergencies require diverse pesticides: Pesticides were among the first lines of defense in World War II. They are required to protect troops from insect-borne diseases that in the past have immobilized armies; they are needed to help fortify us against epidemics among civilians; and they are necessary to insure uninterrupted production of food through the protection of crops and livestock from pests already present in this country and others that may be accidentally or wilfully introduced.

National security demands that we produce adequate supplies of pesticidal materials and that the multiple and diverse military, civilian, and agricultural requirements be met with the necessary variety of effective materials.

Many pesticides necessary to stop pest outbreaks: Effective pesticides must be available for the control of insects and diseases that frequently appear in unforeseen outbreaks. Growers of crops recognize that insect populations, disease organisms, and weeds are not static but show marked fluctuation in numbers, either seasonally or periodically depending upon climate, weather, agricultural practices, and other factors. They may become important economically within a large field, in a State or two, or over a greater area. Pests are no respecters of boundaries as evidenced by the recent widespread spruce budworm outbreaks in Canada and in the United States, and the numerous familiar accounts of "locust" or grasshopper outbreaks from biblical to modern times.

As the results of technological progress in chemistry are translated into practical knowledge, the value of pesticides is appreciated more and more by farmers as a form of crop insurance, and regularly scheduled applications are made as a measure to prevent the occurrence of pests. This practice has the effect of stabilizing crop production against the uncertainties of one of the major causes of reduced yield and poor quality. For many years fruit growers have found it essential to follow a definite spray program throughout the season. Many growers of such crops as vegetables and cotton have only realized since the development of synthetic organic pesticides resulted in effective control generally of pests on these crops, that here also regular preventive applications will result in added profits as well as insurance against heavy losses from damage by pests in years favorable for development of these pests. Continuation of this trend will result in larger yields, production becoming more economical with the risk of crop failure or serious damage due to pests materially reduced.

The pesticide industry is divided generally into three groups: (*a*) Basic producers, (*b*) formulators, (*c*) distributors and dealers. The basic producers manufacture what are known as technical materials which are relatively pure chemicals which must be further processed before they are suitable for application. Manufacture of such chem-

icals is usually a major undertaking. Each of these chemicals can be processed into a variety of formulations of different strengths, combinations, physical characteristics, and usages. For instance, a typical cotton dust contains 3 percent gamma benzene hexachloride and 5 percent DDT with the balance being either sulfur or some relatively inert material. DDT appears in many other forms such as 25 percent liquid concentrate, 50 percent wettable powder, et cetera, which can be applied to many crops. This production of formulations suitable for use by farmers is carried out by what is known as formulators. There are somewhere in the neighborhood of 300 formulators scattered throughout the country. They serve a very useful purpose in that they maintain stocks of concentrated technical materials which can be processed into formulations suitable to meet changing local conditions. Most of the formulators are relatively small firms, though a few are quite large, having Nation-wide distribution. Some firms confine their activity to the production of basic chemicals, some are formulators only, and some engage in both operations.

Determination of requirements of agricultural pesticides is a difficult and complex problem. It involves to some degree a prediction as to weather and insect infestation, which can only be made on the basis of normal expectations. It was particularly difficult a year ago because the use of pesticides had grown so fast and was changing so rapidly that inadequate information existed as to actual supplies, production, and consumption of pesticides, and as to the probable trends of farmer preferences. The Department approached the problem in three stages:

1. Last October, departmental specialists estimated the national requirements for the 1951 crop year.

2. In December, each basic producer of the major pesticides working through the National Agricultural Chemical Association made individual estimates as to what that company could reasonably be expected to distribute, if adequate raw materials would be available during the coming year. These figures were totaled for each pesticide and presented to us as a combined industry estimate of demand.

3. Technical committees of specialists in each of the 48 States, working under the sponsorship of PMA, made estimates of the 1951 needs of each pesticide in relation to the 1950 usage. In many instances the local pesticidal industry cooperated in making these estimates. These estimates were combined to give us a national requirements figure.

The first estimates made in Washington were low due to lack of adequate information. However, based on what has happened to date, it is apparent the industry estimates and the technical committee estimates were surprisingly accurate. Based thereon, requirements figures were presented to the Chemicals Division of the National Production Authority, which Division was urged to follow the principle that enough pesticides should be produced so that no farmer would suffer loss or damage to his crop by reason of a shortage of pesticides. This position was accepted by the NPA Chemicals Division and the NPA Containers and Packaging Division which cooperated closely with the Department throughout the year and worked constantly to obtain production and packaging of pesticides.

The principal problems facing the industry were shortages of benzene, chlorine, paranitrophenol, and other raw materials. The NPA provided relief in cases that appeared justifiable.

Steel containers, both drums and pails, were a special problem and it became apparent last spring that unless emergency action was taken, adequate quantities of pesticides could not be packaged and distributed. At the request of the Department of Agriculture the NPA Containers and Packaging Division issued a special directive which provided drums and pails to all manufacturers and formulators in the industry to the full extent needed.

The industry did a remarkable production job. The major preferred pesticides were produced at a rate about 50 percent higher than in 1950. Generally speaking, adequate pesticides were available throughout the season. There were a few isolated cases of local shortages. Generally, they were due to distribution difficulties and when called to the attention of industry were quickly corrected. For instance, 1 million pounds of toxaphene was diverted from various points to Texas early in the summer when an infestation of cutworms and striped armyworm broke out on cotton.

There was some difficulty in obtaining chlorates for weed control in sugar cane in Louisiana. Due to sharply stepped up usage supplies in that State were short early in the season. At the request of the Department, NPA directed shipments to that area in time to relieve the situation. We have received reports within the last few days that the supply was adequate.

Perhaps the most troublesome problem related to liquid grain fumigants. The desirable practice of protecting stored grain through the use of grain fumigants has been growing. Last fall there was a shortage of liquid grain fumigants. Carbon tetrachloride which is an ingredient of all such fumigants has been and continues to be in short supply. Likewise, carbon disulfide, a fumigant ingredient, and the raw material from which carbon tetrachloride is produced, is scarce. Sulfur is required in the manufacture of carbon disulfide. The current situation with regard to grain fumigants is not as serious as last year but cannot be considered satisfactory at the present time.

Supplies of dusting sulfur were inadequate during the year. NPA took emergency directive action to provide additional dusting sulfur to the extent of about 7 percent of the total quantity which was available in 1950 for pesticidal purposes. This action alleviated the acute shortage in many of the principal agricultural areas. In fact the total dusting sulfur available to farmers this year was 14 percent above last year's supply, since the industry itself diverted more than the customary proportion of sulfur to pesticidal use.

We were fortunate this year in that infestation of the boll weevil and corn borer was not severe, and for this reason the season ended with the pipelines full in the case of most pesticides. In another month we will have a better idea as to what the inventory situation is. We feel certain, however, that it is favorable.

Looking to next year we believe there may well be difficulty in obtaining lead arsenate, copper compounds, liquid grain fumigants, sulfur, sodium chlorate, and steel containers. There is, of course, a critical shortage of lead and to date manufacturers of lead arsenate

have not been able to obtain more than a small fraction of needed supplies. Because lead arsenate is used, for the most part, early in the growing season, the critical production period will be the last quarter of this year and the first quarter of next year.

Copper compounds appear in adequate supply at the present time, but the shortage of copper may cause difficulties in the future.

The outlook for grain fumigants is not clear. We expect trouble and we do not at this time know to what extent the need will be satisfied.

Sulfur is, of course, very short. The Department of Agriculture is sponsoring a Nation-wide program for sulfur conservation. The purpose of this program is to insure that sulfur is used to the best advantage so that limited supplies can be stretched to meet all needs. In the past sulfur has been a relatively cheap material and has been included in many petsicidal dusts simply as a carrier and applied even when the pests for which it is specific were not present. Efforts are being made to correct this. Also there are a number of substitute materials which can be used to replace sulfur satisfactorily. NPA has agreed to implement increased production of these substitute materials. We believe in most cases the production of sulfur substitutes will be in adequate volume with the possible exception of tetraethyl pyrophosphate (known as TEPP). This material has a wide variety of uses notably as a miticide for application to cotton and other crops. Production facilities for one of its ingredients appear inadequate. We have made a specific recommendation for the expansion of such facilities and are hopeful that these recommendations will be accepted.

Containers present a very special problem. During the coming year we expect a continuation of the shift away from pesticidal dusts to liquid formulations for application as sprays. This is a desirable shift but it will, of course, require increased quantities of steel containers. Also the total quantity of pesticides required is expected to increase next year. Further, the possibility of contamination of insecticides and fungicides with resultant crop damage should, we believe, preclude the use of second-hand containers to package materials that may be put on susceptible crops, such as cotton, tomatoes, and so forth. To explain this further, 2,4–D and 2,4,5–T which are selective weed killers for use on weeds in grasses and grain will, if applied, even in minute quantities, to broadleafed crops, such as cotton, tomatoes, and so forth, cause damage to or loss of those crops. There have been many instances of such damage in this country in the last few years. Packaging insecticides in a second-hand drum which was originally used to contain 2,4–D, or 2,4,5–T is highly unsafe even if a sincere effort is made to cleanse the drum. In fact, it is possible for a used 2,4–D drum to contaminate the cleaning solution used in drum reconditioning plants and thus to contaminate other drums being reconditioned in the same lot. A number of lawsuits are now pending on cases of contamination and crop loss, and we believe that unless this situation is properly handled, the use of pesticides in this country will be seriously set back. The Department of Agriculture is completing a study of the matter of pesticide packaging and almost certainly will recommend that insecticides or fungicides which might be used on crops susceptible to 2,4–D or 2,4,5–T should not be packaged in drums of unknown origin or history. Practically speaking, this means that insecticides and fungicides should be packaged in new drums.

Another aspect of the container problem involves the use of lined drums for various kinds of liquid pesticidal concentrates. Such concentrates cannot be packaged in ordinary steel drums or pails because contact with steel usually breaks the emulsion, causes separation of the ingredients and renders the insecticide useless, often without knowledge of the farmer. For this reason certain special linings are necessary. Most of these linings are easily damaged by the rough handling normally accorded used drums. Used drums would have to be relined before they would be satisfactory for concentrates. We doubt if this is practicable on a Nation-wide basis and believe the only solution is for new lined drums to be authorized where linings are necessary. The Containers and Packaging Division of NPA is aware of this problem and is also aware of the fact that the present drum order M–75 is not satisfactory for the pesticide industry. During this present slack season the Containers Division is handling this matter through granting exceptions to individuals where necessary. Very shortly we hope to work out with NPA an amendment to the drum order which will permit the proper packaging of all types of pesticides.

I would like to point out that at this time it is impossible to assess accurately both the supply outlook and the requirements for pesticides in 1952. As each month passes the picture will become clearer. We have presented to NPA our preliminary estimates of requirements. On the basis of these estimates, programs are being set up by that agency to insure the production of required quantities of material. Most of these programs are satisfactory with the exceptions already noted. Reappraisal of the situation will be made in late October and the production program modified. In early January a Nation-wide survey similar to the one carried out last year will be completed and production schedules will again be modified, if necessary. Even so, we cannot be sure that all pesticidal needs will be met. Slight changes in the weather and growing conditions, and unexpectedly severe pest infections can upset our best estimates. We must bear in mind that luck was with us this year and that we cannot count on the same kind of luck in the future. For this reason the industry and the Federal agencies concerned with pesticides must be alert and flexible. Farmers should purchase their minimum pesticide needs as far in advance as possible to avoid sudden unmanageable strains on distribution during the growing season. Last year farmers did this and their action was a major contributing factor in providing distribution of supplies which were generally adequate this year.

The pesticide program during this past year was an outstanding example of cooperation between the farmers, industry, agricultural field workers, and Federal agencies in Washington. We believe that during the coming year this cooperation will be improved and become more effective than ever before.

As of today I believe our greatest danger is that despite the difficulties which face us our good fortune of this year might give rise to complacency. Complacency could bring disaster.

The CHAIRMAN. We thank you very much, Mr. Allsteeter. Are there any questions, Senator Aiken?

Senator AIKEN. No.

The CHAIRMAN. Our next witness is Mr. L. S. Hitchner of the National Agricultural Chemicals Association, Washington, D. C. We are very glad to have you with us, Mr. Hitchner. You may proceed.

STATEMENT OF LEA S. HITCHNER, EXECUTIVE SECRETARY, NATIONAL AGRICULTURAL CHEMICALS ASSOCIATION, WASHINGTON, D. C.

Mr. HITCHNER. My name is Lea S. Hitchner. I am executive secretary of the National Agricultural Chemicals Association, 910 Seventeenth Street NW., Washington, D. C.

The National Agricultural Chemicals Association is a trade association whose members produce more than 90 percent of the basic products of the industry and more than 60 percent of the formulated agricultural pesticides.

On August 31 the pesticide industry closed the 1950–51 fiscal season. The industry supplied more than enough pesticides of some type adequate for the protection of the growing crops of the country so that the maximum production goals established by the United States Department of Agriculture were achieved.

This accomplishment was made possible through the close cooperation with the various agencies of the United States Department of Agriculture, including such groups as the Bureau of Entomology and Plant Quarantine, Bureau of Plant Industry, Soils, and Agricultural Engineering, and the Production and Marketing Administration; and with the land-grant colleges, the NPA, the OTT, the armed services procurement agencies, and the industry.

Secretary Brannan and other witnesses have pointed out the importance of pesticides to agricultural production, to the public health and the Armed Forces. I will not attempt again to cover the relationship of agricultural chemicals to crop production, except to point out that all investments in seed, fertilizer, machinery, and labor are lost unless the crop is protected, at a very small cost per acre, against destruction by various pests.

The pesticide industry is an extremely technical one. There are more than 5,000 insect pests and an equal or larger number of plant diseases which must be controlled. The great varieties of soil, climate, and farm practices throughout the country require different products, different formulations, and application procedures. For this reason the cooperation of the Federal Government agencies, the land-grant colleges, the agricultural press, and the farmers with the industry is necessary to assure adequate pest control.

Fortunately, all of these groups and much of their personnel have had practical experience in such cooperation, starting during World War I and expanding greatly during World War II. These groups are now in operation during the present defense production period. The cooperating groups were indicated in my opening statement.

Under the Defense Production Act, the Department of Agriculture became the claimant agency for pesticides. The amount of various pesticides required and produced is determined by the Department of Agriculture in cooperation with NPA and the industry. The industry is dependent upon the claims of agriculture for their production schedules.

The pesticide industry also is dependent upon the Agricultural Chemical Section of the Chemical Division, NPA, to supply the necessary raw materials, containers, equipment, and so forth, to produce the agricultural chemicals claimed by the Office of Material Facilities, United States Department of Agriculture. The Chemical Division of NPA is the agency which has the responsibility for implementing the programs claimed by agriculture.

Industry committees appointed by NPA, together with representatives from the other Federal agencies, have already developed programs on some of the basic materials. The programs for the production of DDT and BHC have been completed. Meetings will shortly be held to consider defoliants and it is hoped that in the near future similar meetings will develop a program covering grain fumigants and other required agricultural chemicals.

Where only one or two producers are involved, no formal meetings are held, but the industry company or companies are cooperating with the United States Department of Agriculture and the NPA in determining 1951–52 production schedules, raw material requirements, and so forth.

NAC has just arranged for the compilation of statistics which will be helpful in carrying out proposed programs for 1951–52. Upon completion of the surveys now being conducted, the following information will be available:

1. Inventory of BHC and lindane on hand as of September 30, 1951.
2. Estimate of anticipated production of BHC and lindane for the 1951–52 year.
3. Inventory of technical DDT on hand as of September 30, 1951.
4. Estimate of the amount of DDT which will be produced during the 1951–52 year.
5. Inventory of 3–5–40 in hands of manufacturers and formulators as of September 30, 1951.
6. Estimate of the total amount of 3–5–40 in hands of manufacturers, formulators, distributors, dealers, growers, and so forth, as of September 30, 1951, on a State-by-State basis.
7. Monthly production of the following pesticidal chemicals: BHC-lindane, DDT, 2,4,-D, 2,4,5,-T, lead arsenate, and calcium arsenate.
8. Amount of chlorine and amount of benzene used monthly in the production of reported amount of BHC-lindane.
9. In connection with the production of DDT, on a monthly basis: Amount of chlorine used for making monochlorobenzene; amount of chlorine used for making chloral; total amount of chlorine used; amount of benzene used; amount of purchased monochlorobenzene used in above production; amount of purchased chloral used in above production.

These estimates of industry are compared with independent surveys made by the Department of Agriculture in cooperation with the land-grant colleges on a State-to-State basis.

With the above background, the following are some of the favorable and unfavorable factors which will affect the availability of pesticides during the coming year.

Favorable factors:

1. The industry has more than adequate plant capacity, in many cases surplus capacity, to supply any reasonable needs for most pest control chemicals.

2. The industry has competent personnel and production know-how.

3. The industry has decentralized plant capacity in various parts of the country.

4. The industry has numerous formulating plants in agricultural areas, as well as national distribution. (Distribution maps shown in attached copy of NAC News.)

5. With various agencies of the United States Department of Agriculture, the land-grant colleges, and farm organizations, the industry has developed a coperative program for carrying out effective pest control.

6. We are fortunate in having in both industry and government extremely competent young personnel, as well as some who have had experience with this program in two World Wars.

Unfavorable factors:

1. With the pattern of pest control trending toward the use of organic chemicals, the industry must compete with other users for chlorine, benzol, paranitrophenol, and similar raw materials. The entire organic production schedule is dependent upon adequate supplies of these materials from NPA. Commitments with NPA at the present time indicate that these supplies will be made available for the scheduled production of most of the organic materials. Competition, however, will be keen for these basic materials until new production comes into use.

2. The production of lead arsenate due to the shortage of lead may be seriously curtailed. Requirements for 1951–52 are approximately 40 million pounds. Current inventory is about 5 million pounds. Deliveries of lead to pesticide manufacturers to date in many cases do not permit production because of the limitation of raw materials. The pesticide industry must know the amount of lead which will be available for the current 1951–52 season and the lead or litharge must be available between October 1 and February 1 in order to permit production and distribution. We hear reports that only 40 percent of the required amount will be available and this possibly on a quota basis extending over a period of 12 months. The position of lead should be definitely determined by the procurement agencies as purchases of foreign lead may be possible at a substantially increased cost to the farmer. We recommend that prompt action be taken in determining the position of the lead supply to the pesticide industry.

3. Sulfur necessary for the production of sulfuric acid, which is used for the production of DDT and other organic pesticides, is causing considerable worry on the part of some manufacturers. This, again, is a problem for NPA. Supplies of dusting sulfur for use in pesticide formulations will be less than last year. The industry, however, will cooperate in any conservation program and discussions are now underway with the Bureau of Entomology, some of the land-grant colleges, and the defense agencies on this subject.

4. The supply of containers for pesticides, steel drums, and cans is apparently in worse shape than at any time since the beginning of the present emergency. The change from dust to liquid formulations, which in many cases are most effective, saves raw materials

but requires an additional amount of containers. Because of the chemical composition and high value of the contents, new drums are required. A break in the liner of the shipping container causes a chemical reaction with resulting lack of control or damage to growing crops. The cotton production program of the Department of Agriculture is dependent upon an adequate supply of steel containers for pesticides. Vigorous representations have been made to the Department of Agriculture and NEA on this matter. The tonnage of steel involved is small in relation to the value and importance of the crops protected.

5. The supply of copper products will be critical during 1952, due to the shortage of sulfuric acid which again involves sulfur and the shortage of metallic copper. Those responsible for the allocation of copper, as in the last war, do not fully realize the importance of copper in the agricultural program, and they should be supplied with informative data as to its importance. It is possible that, with careful distribution, the actual needs of the farmers may be met, but demand will without question exceed supply. We consider it very important that the claimant agencies fully inform those handling allocations of copper as to its necessity.

It must be recognized that insect infestations vary. To protect the crops, adequate supplies must be available to meet not only normal but abnormal demand. In general, however, it is our opinion that if the raw materials and containers are made available as indicated at this time in adequate supply, no farmer will find it necessary to forego chemical protection of his crop and livestock in 1952, although he may not in all instances be able to obtain the precise material desired.

To accomplish this, however, the raw materials must be made available, and the cooperation of the growers in early purchasing becomes an essential part of the program.

During the last year, the growers cooperated by purchasing early and taking their materials. Last year the supply lines were empty, which condition stimulated early purchasing. This year, the supply lines are better filled and there will be a trend toward waiting for infestation to appear before purchase. Such a situation would make impossible adequate pest control, as the distribution of more than 1 billion pounds of pesticides during the short growing season is humanly possible. The cooperation of the Department of Agriculture, the land-grant colleges, the farm press, and others is needed to assure adequate distribution.

The CHAIRMAN. Thank you very much, Mr. Hitchner. Are there any questions? If not, our next witness is Mr. Kenneth Klipstein, Director, Chemical Division, National Production Authority.

You may proceed, Mr. Klipstein.

STATEMENT OF KENNETH H. KLIPSTEIN, DIRECTOR, CHEMICAL DIVISION, NATIONAL PRODUCTION AUTHORITY—Resumed

Mr. KLIPSTEIN. Mr. Chairman and gentlemen, the supply of pesticides during 1951 on the whole has been equal to the demand. The outlook for the next crop year is good. Lead arsenate is the single product which is critically short, not because of lack of production facilities, but because of the difficulty in obtaining lead.

As in the case of fertilizers our Division has worked closely with the Department of Agriculture in all matters pertaining to pesticides including production schedules, distribution, spot assistance, and expansion programs. Their help has been especially valuable to us in supplying data on requirements of pesticides, taking into consideration effectiveness, production capacity, and raw materials, as well as trends in demand.

The situation with respect to chlorinated pesticides, the largest single group including DDT, benzene hexachloride, toxaphene and chlordane is summarized in the tables given on the attached sheet, which was prepared for our Benzene Hexachloride Industry Advisory Committee meeting on September 11, 1951. It should be noted in the table shown at the bottom of the page, under the column "Total," that there has been a steady increase of these new products every year since first introduced in 1944 and that the projected increase for 1952 over 1951 is estimated at 68,000,000 pounds, or 25 percent. The total estimated production is 345,000,000 pounds, and will require 175,525 tons of chlorine and 19,000,000 gallons of benzene, equivalent to approximately 8 percent of the total chlorine production and 10 percent of the available benzene.

The two principal inorganic pesticides are lead arsenate and copper sulfate. Production of the former in October will be cut to 47½ percent of the base period for those producers who use soft lead. It is difficult to project future production because of the inadequate lead supply. The outlook is definitely not good, based on information given us by the Tin, Lead, and Zinc Division of the National Production Authority. We are continuing to work with this Division and with the Department of Agriculture in an effort to have more lead set aside for pesticides.

In total tonnage the production of lead arsenate normally would be very much less than the chlorinated pesticides, although we understand that it has specialized uses of long standing and requirements should be met to the extent possible.

It is expected that the supply of copper sulfate will be adequate. Production for this year is estimated at 210,000,000 pounds of which 165,000,000 pounds will be used for domestic and foreign agricultural uses. Exports are particularly important for the protection of the banana crop in Central America, a program which has been supported in full in past years. Copper sulfate is related to copper operations and the present high output will undoubtedly be maintained.

The estimated requirements of 3,000,000 gallons of 80–20 carbon tetrachloride and carbon disulfide mixture for use as a grain fumigant will be met despite the shortage of sulfur. The supply of the important herbicides 2, 4–D and 2, 4, 5–T will be augmented as a result of an increased supply of raw materials. Production of the dithiocarbamate fungicides will be incerased by 10,000,000 pounds. New organic phosphorus compounds are being introduced for control of mites and spiders, which are superior to the currently used products.

Two hundred and eighteen thousand long tons of sulfur were used for dusting during 1950 and 225,000 long tons this year. We hope to make nearly this same total quantity available next year. Any reduction will be set aside for conversion into the aditional 10,000,000 pounds of dithiocarbamates previously referred to and an increased supply of carbon disulfide for grain fumigants and other agricultural

uses. The dithiocarbomates have been found to be six times as effective as elemental sulfur.

Three new plants for the production of allethrin, sponsored jointly by the Department of Agriculture, the Munitions Board, and our Division, are being built. This new synthetic insecticide will make the country to a large extent independent of pyrethrum which is so important to dairies and many food-processing plants.

Substantial expansions in basic raw materials have been started including chlorine, benzol, carbon tetrachloride, and phosphrous. Sulfuric acid, although short, is expected to be available in sufficient quantity to support the production of copper sulfate and DDT.

This outlines the situation with respect to pesticles. Normal historical distribution patterns will be followed and each area should get as much as needed for the full protection of the crops grown there. We have been able to adjust these few cases where new or unexpected demands have arisen.

We can conclude that an adequate supply of pesticides will be available to meet the over-all requirements for the crop year ahead.

(The following tables were submitted for the record:)

STATISTICAL INFORMATION ON CHLORINATED INSECTICIDES—PREPARED FOR DISCUSSION AT BENZENE HEXACHLORIDE INDUSTRY ADVISORY COMMITTEE MEETING, SEPT. 11, 1951

TABLE I.—*Estimated 1951–52* [1] *requirements for chlorinated insecticides and raw materials required*

[Thousands of pounds]

Commodity	Domestic consumption	Exports	Total	Raw materials required	
				Chlorine	Benzene
DDT	85,000	20,000	105,000	179,550	85,000
Benzene hexachloride (12.5 percent)	85,000	40,000	[2] 125,000	98,750	53,750
Other [3]	95,000	20,000	115,000	72,750	
Total	[4] 265,000	[5] 80,000	345,000	351,050	[6][7] 138,750

[1] Oct. 1, 1951, through Sept. 30, 1952.
[2] Gamma isomer content 16,265,000 pounds; 49,375 tons chlorine required.
[3] Toxaphene, chlordane, aldrin, dieldrin, etc.
[4] Domestic requirements represent stated justified claims of U. S. Department of Agriculture.
[5] Exports based on previous history, information from producers, and concurrence of OIT.
[6] Total chlorine, 175,525 tons.
[7] 19,000,000 gallons of benzene.

TABLE II.—*Available data on historical production of chlorinated insecticides*

[Thousands of pounds]

Year	DDT	BHC (12.5 percent gamma)	Other	Total	Increase over previous year (percent)
1944	9,626			9,626	
1945	33,243			33,243	245
1946	45,651			45,651	37
1947	49,600	8,197		57,797	27
1948	20,240	19,916		40,156	31
1949	43,700	31,040		74,740	86
1950	77,872	76,670	45,000	199,542	167
1951 (estimate)	92,000	110,000	75,000	277,000	38
1952 (estimate)	105,000	125,000	115,000	345,000	25

The CHAIRMAN. Are there any questions? If not, we thank you very much, Mr. Klipstein.

Are there any further witnesses or statements in reference to farm machinery, fertilizer, or pesticides?

Mr. ANDERSON. Yes. My name is Earl D. Anderson, and I am secretary of the National Sprayer and Duster Association, Chicago, representing the manufacturers who make the sprayers and dusters used to apply these chemicals.

I have a statement that I should like to present to the committee.

The CHAIRMAN. You may proceed.

STATEMENT OF EARL D. ANDERSON, SECRETARY, NATIONAL SPRAYER AND DUSTER ASSOCIATION, CHICAGO, ILL.

Mr. ANDERSON. Mr. Chairman and members of the committee, I would like to make some pertinent remarks. I am an agricultural engineer interested in the equipment and apparatus so necessary to apply all these chemicals for the control of harmful insects, plant diseases, and weeds.

I work for the National Sprayer and Duster Association. Our headquarters office is in Chicago.

I would like to direct to the committee's attention some highly important matters relating to the problem under consideration. You have heard testimony on the importance of chemicals. However, of what value will these chemicals be unless there is an adequate supply of equipment to apply them when they are needed, where they are needed, and in the proper amounts?

Our problem may be summarized as follows:

1. Sprayers and dusters produced by our industry require materials such as steel, copper, and aluminum for their manufacture. Although investigations have been going on no substitutes have been found for these basic materials, which will satisfactorily withstand the corrosive and other deleterious actions of these chemicals.

2. Ours is a seasonal industry. Farmer needs in 1952 must be met largely by the materials actually available for manufacture in the final calendar quarter of this year and in the first quarter of next year.

Sixty to ninety days are normally required for fabrication and delivery of the finished goods to the farmer. Therefore any materials reaching the manufacture after first quarter cannot be depended upon to meet the crop seasonal needs.

3. Current materials allocations for fourth and first quarters are inadequate.

What 1952 needs will be has been a constant study for a number of months. We in the industry studied these needs. When we found such unusually high speculative needs we decided to employ a nationally recognized firm of auditors to look into the situation.

Fortunately for this hearing we are able to submit a copy of the Ernst & Ernst review of prospective production requirements for 1952.

(The review referred to is as follows:)

COMPOSITE REPORT OF ESTIMATED PRODUCTION FOR THE YEAR 1952 FOR THE SPRAYER AND DUSTER INDUSTRY

(As compiled from reports submitted to Ernst & Ernst, Chicago 4, Ill.)

ERNST & ERNST, ACCOUNTANTS AND AUDITORS,
Chicago, July 19, 1951.

Mr. EARL D. ANDERSON,
Secretary, National Sprayer and Duster Association,
Chicago, Ill.

DEAR MR. ANDERSON: In accordance with your request, we have acted in the capacity of confidential depositary of data used in the compilation of composite industry totals (at the manufacturers' level) of production in units of sprayers and dusters for the half-year periods shown in the accompanying schedule and the estimated production in units for the year 1952.

Questionnaires were mailed to 144 members of the industry. Completed questionnaires were returned by 63 members. Replies were received from 21 additional members who did not report production statistics because of discontinuance of manufacture of the product or other reasons. Composite totals compiled from completed questionnaires received through July 17, 1951, are set forth in the schedule of this report.

We have maintained careful control over the completed questionnaires returned by members of the industry and only a limited number of our employees have had access to the information shown on the replies.

According to comments contained in the replies received by us, the demand for sprayer and duster equipment is being stimulated by the continuing introduction of more effective chemicals for control of harmful insects, plant diseases, and weeds, and for new uses, such as defoliation of cotton, application of plant nutrients to the foliage of fruit trees, etc. New models of sprayers and dusters designed specifically for controlling insects and weeds in cotton, which have been introduced in 1949 and 1950, appear to be in particularly heavy demand. An over-all contributing factor mentioned frequently was the high level of agricultural production called for by the Government to meet defense needs.

Based upon the replies received by us, the accompanying schedule sets forth the production in units of sprayers and dusters for the periods indicated, and the estimated production in units of such equipment for the year 1952.

Very truly yours,

ERNST & ERNST,
Certified Public Accountants.

Composite of reports of production and estimated production as submitted to Ernst & Ernst

Census item No.	Product	Production in units					Production in units					Production in units, first half 1951		Estimated production in units, year 1952	
		First half 1949		Last half 1949			First half 1950		Last half 1950						
		Number of manufacturers reporting	Number of units	Number of manufacturers reporting	Number of units	Year 1949, total units	Number of manufacturers reporting	Number of units	Number of manufacturers reporting	Number of units	Year 1950, total units	Number of manufacturers reporting	Number of units	Number of manufacturers reporting	Number of units
	Power sprayers:														
	Under 6 gallons per minute:														
4110	Self-propelled	(1)		(1)			5	885	5	348	1,233	5	1,108	4	2,025
	Engine or motor driven:														
4121	Wheelbarrow	6	806	6	304	1,110	6	613	6	319	932	5	569	5	1,320
4122	Skid mounted	9	1,876	9	1,047	2,923	10	1,733	12	3,841	5,574	12	6,144	11	15,678
4123	Wheel mounted	10	4,991	9	2,727	7,718	11	4,482	13	3,523	8,005	13	4,815	12	10,488
	Tractor powered:														
4131	Tractor mounted	10	6,603	8	3,157	9,760	13	6,477	10	2,632	9,109	15	9,641	14	14,793
4132	Tractor drawn	9	2,888	8	367	3,255	8	5,503	7	371	5,874	6	537	8	1,795
	6 gallons per minute and over:														
4140	Self-propelled	(1)		(1)			4	173	3	108	281	4	454	3	275
	Engine powered:														
4151	Orchard and tree	10	1,544	9	730	2,274	11	1,468	10	989	2,457	11	1,325	11	4,330
4152	Field and row crop	8	570	9	192	762	10	814	9	427	1,241	11	845	11	1,941
	Power take-off:														
4161	Orchard and tree	8	932	7	335	1,267	8	607	7	287	894	8	612	8	1,394
4162	Field and row crop	19	10,489	14	2,121	12,610	22	16,927	17	3,141	20,068	19	19,356	23	40,729
4200	Traction sprayers	3	195	(1)			4	545	4	229	774	3	538	4	1,290
	Hand sprayers:														
4310	1 gallon and under	11	5,371,612	11	4,625,964	9,997,576	12	9,704,134	12	5,198,375	14,902,509	11	9,594,425	12	19,144,355
	Over 1 gallon:														
4321	Compressed air or gas	7	261,609	7	169,791	431,400	7	411,043	7	204,023	615,066	7	372,541	7	692,210
4322	Knapsack (liquid pump)	7	20,593	7	15,966	36,559	7	20,989	7	21,170	42,159	7	26,710	7	61,300
423	Wheelbarrow and cart	8	5,755	8	3,341	9,096	9	6,914	9	4,298	11,212	9	6,435	9	13,815

4330	Flame sprayers, hand	4	5,315	3	2,648	7,963	5	10,771	4	4,541	15,312	4	8,282	5	20,250
	Spray pumps:														
4410	Power driven	8	3,223	9	3,985	7,208	10	25,805	9	23,033	48,838	8	12,919	9	46,165
4420	Hand driven (bucket, barrel, slide, etc.)	7	25,644	7	15,339	40,983	7	33,963	7	20,859	54,822	7	33,494	6	64,250
	Power dusters:														
4511	Engine powered	6	1,571	5	818	2,389	8	465	6	524	989	7	969	9	2,830
4512	Tractor power take-off	8	7,445	8	3,149	10,594	11	13,439	9	6,958	20,397	11	23,038	12	37,990
4520	Traction, all types	7	2,053	8	558	2,611	8	3,641	7	2,086	5,727	9	12,602	9	28,010
	Hand-type dusters:														
4531	Crank or knapsack	10	13,424	11	26,575	39,999	11	41,582	11	34,525	76,107	11	76,190	10	174,795
4532	Plunger type	8	159,608	9	111,047	270,655	9	455,308	9	217,948	673,256	9	360,784	9	937,488

[1] Less than 3 manufacturers reporting.

NATIONAL SPRAYER AND DUSTER ASSOCIATION,
Chicago, Ill., June 15, 1951.

Special letter to the members, National Sprayer and Duster Association.

Subject: Industry survey of 1952 materials needs.

One of the great dangers facing us at present is that we become complacent regarding the materials assistance being currently afforded members of our industry.

If consumers goods in general are brought under the Government's Controlled Materials Plan later this year or the first of next as suggested recently by NPA officials, we have no assurance that the allotment of materials to sprayer and duster manufacturers will be maintained at the current rate. Also the Government agencies determining the amounts of materials made available to the sprayer and duster manufacturers at present are said to be gathering information, county by county, on needs for sprayers and dusters and other farm machinery. The production of sprayers and dusters resulting from a similar survey during World War II did not prove adequate to needs but did place a great hardship on the industry and the Nation.

The possibilities of incorrect appraisal of needs by anyone outside of the industry is far greater today because of the very great expansion in fields of use of these products since 1945. This places an urgent responsibility on the industry itself to assemble the facts necessary for correctly appraising the results of any similar survey and to accurately state the industry's needs for materials for 1952. Your Secretary's contacts in Washington indicate that Government agencies look to trade associations such as ours for just this kind of help.

Spot surveys which we have conducted within the industry recently indicate that census reports, lagging as they do by at least a year, cannot serve as the basis for correctly appraising future needs of a changing industry such as ours.

To get the information needed we are, therefore, sponsoring a survey of all manufacturers in our industry to determine their level of production and to secure from them their estimates of needs for 1952. Average unit weights of controlled materials required for the items in each census classification have already been assembled by the association. The National Sprayer and Duster Association has retained the services of Ernst & Ernst, well-known firm of certified public accountants, to receive, tabulate, and compile the results of this survey. The simple data forms are being sent by them to all known manufacturers in the industry.

We have selected the firm of Ernst & Ernst to conduct this survey for two obvious reasons, (1) as an assurance to each manufacturer who cooperates that individual company data will not be separately revealed and (2) to authenticate for Government authorities the impartiality of the figures in the report.

The National Sprayer and Duster Association is paying the entire cost of this survey. However, each manufacturer who reports his figures will be furnished a copy of the complete report as certified by Ernst & Ernst.

Perhaps no more than an hour will be required to fill out the report form because most of the figures requested have been assembled for other use.

Because of the importance of this report to each manufacturer and to the Nation, we feel it is proper that we urge each manufacturer to cooperate in this survey.

Very truly yours,

NATIONAL SPRAYER AND DUSTER ASSOCIATION,
EARL D. ANDERSON, *Secretary.*

ERNST & ERNST,
Chicago.

Materials required for 1952 production of sprayers and dusters

We have been engaged by the National Sprayer and Duster Association to secure accurate information regarding your industry's production needs for 1952. The summary of this information being collected by us will be available for use by the association and by all companies who participate in the survey in supporting claims for the materials needed for 1952 production of sprayers and dusters.

The purpose and uses of the survey as they affect your company are covered in more detail in the attached association letter to the members dated June 15, 1951.

You have our positive assurance that individual company figures reported in this survey will be held in complete secrecy by us and will be used only in compiling the totals for the industry.

Please read the news letter and instructions pertaining to the attached form and forward this information requested on one copy of the form in the enclosed return envelope not later than Monday, June 25. Do not sign your name—the number on the questionnaire known only to Ernst & Ernst will provide sufficient identification for compiling the report.

Very truly yours,

ERNST & ERNST,
Certified Public Accountants.

INDUSTRY-WIDE SURVEY OF PRODUCTION AND NEEDS OF AGRICULTURAL SPRAYERS AND DUSTERS

CONFIDENTIAL

Please complete the information requested below and return one copy of the form in the enclosed return envelope not later than Monday, June 25.

Important: Please read attached instructions before completing questionnaire.

Census item No.	Product	Number of units produced by calendar year or half year					
		First half 1949 (a)	Last half 1949 (b)	First half 1950 (c)	Last half 1950 (d)	First half 1951 (e)	Estimated, total year 1952 (f)
	Power sprayers, under 6 gallons per minute:						
4110	Self-propelled						
	Engine or motor-driven:						
4121	Wheelborrow						
4122	Skid-mounted						
4123	Wheel-mounted						
	Tractor-powered:						
4131	Tractor-mounted						
4132	Tractor-drawn						
	6 gallons per minute and over:						
4140	Self-propelled						
	Engine-powered:						
4151	Orchard and tree						
4152	Field and row crop						
	Power take-off:						
4161	Orchard and tree						
4162	Field and row crop						
4200	Traction sprayers						
	Hand sprayers:						
4310	1 gallon and under						
	Over 1 gallon:						
4321	Compressed air or gas						
4322	Knapsack (liquid pump)						
4323	Wheelbarrow and cart						
4330	Flame sprayers, hand						
	Spray pumps:						
4410	Power-driven						
4420	Hand-driven (bucket, barrel, slide, etc.)						
	Power dusters:						
4511	Engine-powered						
4512	Tractor power take-off						
4520	Traction, all types						
	Hand type:						
4531	Crank or knapsack						
4532	Plunger type						

Your number—known only to Ernst & Ernst.

INSTRUCTIONS FOR COMPLETING THE SPRAYER AND DUSTER SURVEY FORM

1. Please return one copy (1) in the enclosed return envelope not later than Monday, June 25, 1951 to:

Ernst & Ernst,
Certified Public Accountants,
231 South LaSalle Street,
Chicago 4, Ill.

(Keep the other copy for your file.)

2. Do not include in this report parts or attachments. Also do not report incomplete units shipped to other producers of sprayers and dusters who then complete the unit for shipment. Only the producer of the completed unit should report such units as production. Do not report complete units which you purchased for resale.

3. Report in columns (a) to (e) inclusive, the number of sprayers or dusters you produce in each census item classification for the specified calendar half-year. Include items produced in that period even though they may not have been shipped. (These are basic production figures used regularly in the conduct of your business. Little time will be required to transfer them to the survey form.)

4. For item 4310, hand sprayers, include all sizes of hand sprayers one gallon and under which you normally report on census form MA–35–A. (The United States Department of Agriculture now serves as claimant agency for all hand sprayers.)

5. Tractor mounted-tractor powered sprayers. List as item 4131 those units with pumps rated under 6 gallons per minute capacity. List as item 4162 those units with pump capacity rating of 6 gallons per minute and over.

6. Report in column (f) your best estimate of the number of units you will produce in the calendar year 1952 to meet expected sales demands for that year assuming adequate materials are made available to you. Please give this your thoughtful consideration. If your estimate for an item differs more than 10 percent from your total 1950 production, please support your estimate with a brief explanation in a supplementary statement and attach it to the questionnaire which you return to us. (We are not asking for estimates of production for the last half of 1951 because it appears that the pattern of allotments for materials for the balance of this year has been pretty well established.)

Mr. ANDERSON. Returns were received from 84 firms which manufacture spraying and dusting equipment. The majority of these firms do not belong to our association. However, this Ernst & Ernst report gives a comprehensive estimate of the number of units that the reporting manufacturers planned to make to meet farmers needs providing that materials would be freely available. It should be pointed out that there are still other firms not included in this report. However, these reporting firms indicate their plans to produce a greater number of units in 1952 than they produced in 1950.

Increased needs for spraying and dusting is further supported by the survey conducted by the Production and Marketing Administration of the United States Department of Agriculture. We have studied this report and feel it is in line with the findings of our industry.

I believe that somewhat less than 78,000 tons of steel, including engines, tanks and 9 million pounds of copper are needed to fulfill farmers requirements in 1952 in finished sprayers and dusters. However, a total allocation of steel to the sprayer and duster industry is only 7,172 tons for the fourth quarter and but 12,652 tons in the advance allotments for the first three quarters of 1952.

The total allocation of copper for the fourth quarter is less than 1½ million pounds. For the first three quarters of 1952 it is less than 3 million pounds.

The situation on aluminum is equally bad.

4. Material suppliers have accepted orders from our industry for only part of the original fourth quarter allotments. Further, according to last reports, no portion of the final allotment has been accepted. We have recently received a number of telegrams and letters which I should like to read for this record.

Company No. 1's letter:

As I told you over the telephone the material situation is very critical on spray equipment. We have less than 20 percent of our fourth quarter allotment accepted by the mills and, of course, the first quarter schedule is not as yet placing orders.

Company No. 2's telegram:

Agricultural sprayer production will terminate middle of December unless critical shortage galvanized sheets relieved. Only fourth quarter orders accepted by mill on a hardship case unquote basis returned, which means none of fourth quarter allocation has been mill accepted for scheduling. Unable to get mill acceptance orders first or later quarter. Bases on firm estimates for agricultural and other essential products such as knapsack fire-fighting equipment would require 125 percent of CMP base-period galvanized sheets and brass products. Urgent Government action to assure mill acceptance and scheduling must be forthcoming before October 14 to forestall production and delivery breakdown.

Company No. 3's telegram:

Present total allotments for our agricultural sprayer and duster production approximately 70 percent of needs. We are unable to place orders for approximately 15 percent of fourth-quarter allotments due to loaded steel-mill schedules. Strongly recommend increased allotments for first quarter 1952 and special help to place orders for controlled materials with mills.

Company No. 4's telegram:

Our fourth-quarter allocation was favorable in tonnage but received too late to get into mill schedules. We actually need 112 percent more material than we can place for fourth-quarter to equal base-period production only. A similar situation will exist in first quarter unless complete allocation releases are given us now to get into mill schedules before books are closed. Actual sprayer needs for 1952 will require an increase of 50 percent over requested allocation, the major part of which will be needed in fourth and first quarters to insure production in time for seasonal needs. Stainless steel, copper, and aluminum essential for sprayer production will be required in quantities sufficient to meet program presented by Department of Agriculture and sprayer manufacturers.

Company No. 5's telegram:

We have been unable to secure relief in our appeal to NPA Steel Division because our regular suppliers have rejected our fourth-quarter initial orders properly certified with allotment. This tonnage cannot be placed with secondary or new sources. All orders have been returned which we placed for fourth-quarter delivery under K–1 allotment authorized by NPA August 30 on our fourth-quarter CMP 4–B application. It appears clear direction 3 to M–1 issued August 21 has caused a complete collapse in ordering the gages and grade steel required for our products because the mills either refuse to accept orders or offer certain portions only which cannot be used without balance of gage sizes. Therefore our allotments which have been referred to by NPA as certified checks on available materials are in effect blank checks. Unless correction to this situation is secured there will be a collapse in securing steel for the coming season.

5. Current inventories of sprayers and dusters are low at both the manufacturer and distributor levels. Results of spot surveys conducted as of August 1 were reported to the Production and Marketing Administration and to the National Production Authority by letter dated August 8, 1951. A copy of this letter is attached.

(The letter of August 8, 1951, referred to, with attached exhibits, is as follows:)

NATIONAL SPRAYER AND DUSTER ASSOCIATION,
Chicago, Ill., August 8, 1951.

Mr. L. B. TAYLOR,
Director, Office of Materials and Facilities,
Production and Marketing Administration,
United States Department of Agriculture,
Washington, D. C.

DEAR MR. TAYLOR: In considering farmer's needs for spraying and dusting equipment for 1952 and requesting the allocation of critical materials required for such manufacture, we wish to direct your attention to the following:

1. Current inventories of sprayers and dusters are generally low. Exhibits A and B attached show that finished goods inventories of sprayers and dusters as of August 1, 1951, at the manufacturer, distributor, and retail levels are generally below normal for this season of the year despite reported high inventories in many other lines of products. Larger inventories of sprayers and dusters would be desirable at present as an insurance factor in controlling sudden outbreaks of insects or other pests threatening agricultural production or the national health.

2. Materials allocations for fourth and first quarters production must be greater than allocated for third quarter this year to meet sprayer and duster needs in 1952. Exhibit C presenting the normal production pattern by calender quarter shows that third-quarter production is the lowest with heaviest production occurring in the fourth and first quarters. Furthermore, the current low inventory of the industry points to a below-normal carryover of stocks to 1952. Therefore, to meet 1952 farmers' seasonal needs for sprayers and dusters, allocation of raw materials for fourth- and first-quarter production must each be greater than the amount recently allocated for third quarter.

The data included in the attached exhibits are believed to be representative of the entire industry since reports were received from members and nonmembers of this association, both large and small, and old and new manufacturers covering the full line of hand- and power-operated equipment.

We urge that you take appropriate action in view of the above information to assure the farmers an adequate supply of sprayers and dusters for 1952.

Very truly yours,

NATIONAL SPRAYER AND DUSTER ASSOCIATION,
By EARL D. ANDERSON, *Secretary.*

EXHIBIT A

MANUFACTURERS' INVENTORIES OF SPRAYERS AND DUSTERS, AUGUST 1, 1951

[Corrected for any price increases]

Manufacturer No. 1:
1950: 53 percent under 1949.
1951: 47 percent under 1949.
Manufacturer No. 2:
1950: 60 percent over 1949.
1951: 27 percent over 1949.
Manufacturer No. 3:
1950: 10 percent over 1949.
1951: 25 to 30 percent under 1949.
Manufacturer No. 4:
1950: 33.9 percent over 1949.
1951: 9.7 percent under 1949.
Manufacturer No. 5:
1950: 9.5 percent over 1949.
1951: 6.8 percent under 1949.
Manufacturer No. 6: Plant on strike since May. Minimum inventory on hand.
Manufacturer No. 7: Inventory nil. Currently operating assembly lines normally shut down in August to meet orders for immediate delivery.
Manufacturer No. 8: Inventory about normal for this time of year.
Manufacturer No. 9: Inventory about normal for this time of year.

EXHIBIT B

CURRENT FINISHED GOODS INVENTORY SITUATION AS REPORTED BY MANUFACTURERS OF SPRAYERS AND DUSTERS, AUGUST 1, 1951

1. Survey of three large distributors located on the east coast, west coast, and in the South. All report the same thing—this has been a good sprayer year. Their inventories of sprayers and dusters in general are below a year ago with excess inventory on only a couple of models. Manufacturer is currently receiving rush orders from all parts of the country for fill-in stocks for sale this year indicating low inventories in dealer stocks also.

2. Manufacturer reports receiving repeat orders by mail and phone for immediate delivery to distributor stocks indicating low inventory of sprayers and dusters.

3. Survey of distributors in principal States covering the entire country indicates that distributor and dealer stocks August 1 are about the same as 1950 and lower than 1949. Current rush orders being received from distributors indicates low distributor or dealer stocks or unbalanced inventory. The equipment is for use this year. Not booking for future delivery yet.

4. Distributors' inventories generally lower throughout the country than in 1950. Continuing to receive telephone and mail orders for sprayers and dusters for use this year.

5. Manufacturer was concerned in early June believing there might be a large carry-over of stocks this season. However, several distributors stocks were cleaned out in as little as 1 week's time in late June and throughout July there was continuing demand by telephone for fill-in stocks in areas of local insect infestations. Stocks in general at the distributors' level are much lower than a year ago except in Iowa, where the corn borer failed to develop in serious numbers. Manufacturer is now operating production lines which normally are closed down this season of the year. Received offer from one distributor to take immediate delivery of substantial shipment of power sprayers.

6. Distributors' stocks of sprayers and dusters are about normal for this time of the year, indicating a small carry-over into next year. The only exceptions are cases where shipments were badly delayed in reaching distributors' stocks this season.

7. Distributor in Northeast reports good sprayer season but present total inventory of sprayers and dusters is higher than 1950 due to receipt of late shipment of one model. This total high inventory is only about 15 percent of annual sales. Four Midwest distributors report their inventory as follows: One 25 percent higher than 1950 partly due to late deliveries from manufacturer; one 12½ percent lower than 1950; one 10 percent lower than 1950; and one 40 percent lower than 1950. One distributor contacted in Southeast reports 20 percent lower inventory than 1950. The general pattern of dealer inventory as reported by the above distributors is normal or slightly below.

8. Customers operating on hand-to-mouth basis with about normal inventories.

9. One large mail-order house reports inventory of hand and power sprayers and dusters normal or slightly below normal at present.

EXHIBIT C

Seasonal production pattern of sprayers and dusters, by calendar year quarter

	First quarter	Second quarter	Third quarter	Fourth quarter
	Percent	*Percent*	*Percent*	*Percent*
Company A	35.0	20.0	20.0	25.0
Company B	35.0	22.0	18.0	25.0
Company C	37.0	20.0	15.0	28.0
Company D	28.3	22.9	20.7	28.1
Company E	36.0	21.0	15.0	28.0
Company X [1]	25.6	30.2	21.5	22.7

[1] Average for the entire industry 1945-46, as reported by the U. S. Civilian Production Administration.

NOTE.—Raw materials are needed at least 60 to 90 days in advance of actual shipment of finished goods.

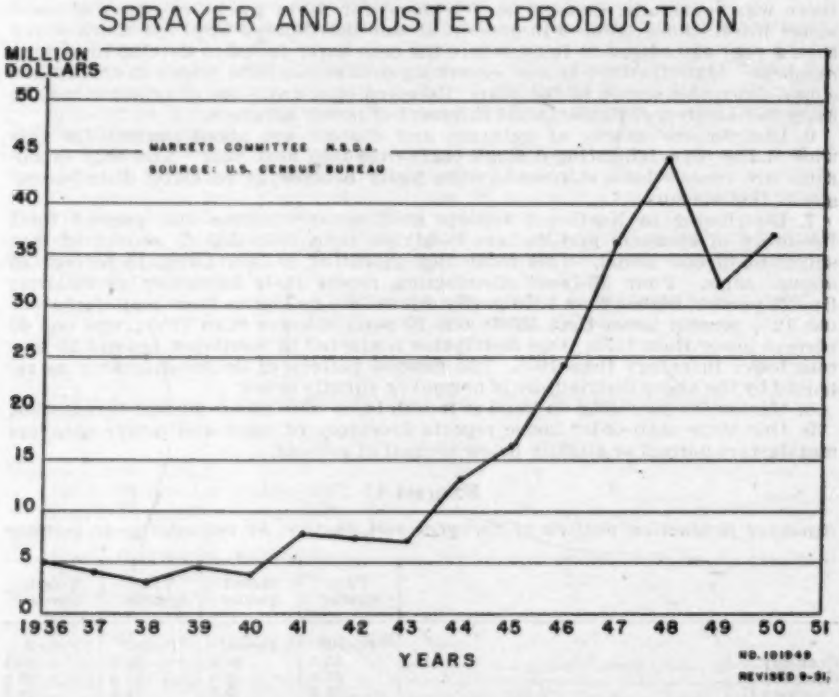
Mr. ANDERSON. Larger inventories would be desirable as insurance against outbreaks of insects and other pests threatening agricultural production or the national health.

Byron T. Shaw, Deputy Administrator, Agricultural Research Administration of the United States Department of Agriculture at Cincinnati, Ohio, stated:

> I can think of no greater need in time of national emergency than food. And no enemy could disrupt our food supplies so quickly as the hordes of insects within our own borders.

6. Manufacturers have been unable to meet the farmers' demand for sprayers and dusters in any of the past 11 years with the exception of a brief period in 1949. This is clearly shown by the attached chart of sprayer and duster production based on United States Census Bureau data. Our chart indicates this very abnormal speedy growth of sprayer and duster production to keep up with farmers' needs. No other segment of the entire farm equipment industry has been required to expand so fast. Our chart does not show 1951 production. This is again upward, higher than ever.

(The chart referred to is as follows:)



Mr. ANDERSON. There is still time available to correct this situation but it calls for immediate action to assure delivery of the needed materials in the two critical quarters.

The CHAIRMAN. Thank you very much, Mr. Anderson.

Is there anyone else? If not, the hearings are now closed.

(Whereupon, at 10:50 a. m., the committee adjourned.)

×